DOCUMENT RESUME

ED 179 836 CG 013 975

AUTHOR	Myhre, David C., Ed.
TITLE	Financial Counseling: Assessing the State of the Art. The Proceedings of a National Conference Sponsored by the Financial Counseling Project (Blacksburg, Virginia, May 30-June 2, 1979).
INSTITUTION	Virginia Polytechnic Inst. and State Univ., Blacksburg.
SPONS AGENCY	Office of Education (DHEW), Washington, D.C.
PUB DATE	Jun 79
NOTE	200p.; For related documents see CG 013 976-78
EDRS PRICE	MF01/PC08 Plus Postage.
DESCRIPTORS	*Counseling Services; *Counselor Role; Counselors; *Counselor Training; *Financial Needs; *Financial Services; Helping Relationship; *Money Management
IDENTIFIERS	*Financial Counseling

ABSTRACT

This set of materials provides the individual and panel presentations from a national conference on financial counseling at the Virginia Polytechnic Institute and State University, Blacksburg, Virginia, May 30-June 2, 1979. The focus of the presentations is on: (1) the role of the counselor as financial counselor; (2) certification and training; (3) specialized financial counseling services for low-income clients, children, widows, divorcees, and the elderly; and (4) future projections and implications for financial counselors. (Author/HLM)

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FINANCIAL COUNSELING

Assessing The State of The Art

Edited by David C. Myhre

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The Proceedings of a National Conference Sponsored By
The Financial Counseling Project, Held at
The Donaldson-Brown Center For Continuing Education,
Virginia Polytechnic Institute and State University
Blacksburg, Virginia
May 30 — June 2, 1979

The Financial Counseling Project was funded by the Office of Education, United States Department of Health, Education, and Welfare, in cooperation with the Extension Division, College of Home Economics and College of Education, Virginia Polytechnic Institute and State University, Blacksburg, Virginia 24061. However, the opinions expressed herein do not necessarily reflect the position or policy of the Office of Education, Extension Division or the Colleges of Home Economics and Education. No official endorsement by these agencies should be inferred.

CG 013975

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FOREWORD

FINANCIAL COUNSELING
An Idea Whose Time Has Come

Demand for financial counseling is running at unprecedented levels. The effects of inflation, energy price increases, unrestrained buying and overextension of credit have brought a great surge of new customers to our diverse agencies for assistance with their financial entanglements. At this conference we examined the state of the art in our profession. We found a variety of counselor training and certification programs, national and local groups, and a wide variety of specialized types of financial counseling services. Many of the participants discovered that they weren't the only people and groups performing this service. Some discovered aspects of the field that they had never addressed, perhaps never even considered before.

Many conference participants became aware that by uniting and pooling our resources, we could be far more effective in program development ans service delivery. The field of financial counseling seems to be a body without a head, an army with no officers, a collection of vaguely related individuals and organizations. The time appears ripe for a person or organization to come along and do for financial counseling what H&R Block did for income tax return preparation.

The concept of "an idea whose time has come," was borrowed from Werner Erhard, a most extrordinary man in contemporary American society. Werner has taken what is "a good idea," the end of hunger in the world, and set out to actualize it. His premise is that ideas have a threshold of critical mass. When enough people accept an idea, it becomes a reality.

The development of financial counseling is another "good idea." Many of us are aware that implementing this idea will require some form of organized effort. Many conference participants shared an interest in a national organization of financial counselors. For the first time, many people at this conference experienced a sense of community through sharing resources with others in the field.

We are aware that there is not total agreement on every detail of our profession. With as diverse a group as is involved in this field, we cannot expect total agreement. Werner speaks of "alignment of purpose" in which people share common goals without the need for agreement on every detail. With common purpose, a great deal could be accomplished in our field.

The consensus at the conference seemed to be that people want and expect VPI to continue to provide leadership in the field. Perhaps this was a result of my statements regarding the fertile environment here. The environment at VPI is as fertile as ever, but the majority of the initiators of the various financial counseling projects have moved on or are moving on this year to new positions and new locations. The environment here is as rich as ever, yet the circumstances have changed. VPI is unlikely to completely withdraw from the field, but there are presently no planned or pending projects in financial counseling here.

Thus, the responsibility for actualizing the potential of financial counseling falls on those who share the conviction that this is an idea whose time has come. Many of you indicated interest in more national, regional and state conferences. Is your interest great enough that you will take personal responsibility for developing them?

There have been conferences of this nature before--one at the University of Wisconsin in 1967 and one at the University of Maryland in 1975. Each created a ripple effect in the field. This conference brought together for the first time a very diverse group of financial counselors. We initiated a sense of community. Our differences are a matter of public record, yet we share a common purpose. It would seem to be in our own best interest to organize and cooperate in activities such as program development and representation at the 1981 White House Conference on Families.

Will the ripple effect from this conference be strong enough to accomplish this goal? Each one of us will ultimately determine this, based on our actions. Financial counseling is right for the times. Collectively, we can make it an idea whose time has come.

David C. Myhre

ACKNOWLEDGMENTS

While much credit has been given to a few individuals for the national conference on financial counseling, it was truly the work of many people. Over twenty speakers contributed generously of their time and expertise. Walt Saunders, Jennyce Garber, Mary Hill, Jane Wittaker and Tracy Perez of the conference center handled the conference arrangements. Roger Comley planned and directed the food service.

Numerous people volunteered to moderate the concurrent sessions--Anita Webb, Marge Schiller, Betty Joe White, Ray Forgue, Glen Mitchell, Skee Staniszewski, Lou Guthrie, Jim Garrison, Kris Kline, Esther Martin, Grace Backman, Renny Myers, Connie Kilmark, Bobby Sharp, Helen Wells, Don Harvey, Elizabeth Dolan and Nancy Barclay. Their assistance was greatly appreciated.

Julio Jimenez and Bev Brinlee worked overtime to ensure that our publications were printed in time for the conference. The print shop, under Harry Damant and Esley Dillon, worked overtime to make our deadline. They are again assisting in the printing of this proceedings.

Many people volunteered to staff the information booth--Renny Myers coordinated the assistance of Ray Forgue, Bobby Sharp, Betty Joe White, Jim Garrison, Grace Backman, Elizabeth Dolan, Nini Cleckner, Don Harvey and others. Sylvia Slusher and Thelma Spangler assisted with registration and generally filled in wherever needed, before and during the conference.

Then, there is the person who is the glue that holds this entire production together. Special thanks go to our project secretary, Irene Beck, for keeping us all straight, for being on top of it all, for doing what needed to be done without considerations for the time of day or day of the week.

Finally, there were the contributions made by all of the conference participants. They shared generously of their own expertise and added a richness based on their broad experience.

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INTRODUCTION

It is not surprising to find, in a materialistic society, a large number of people who have not discovered that basic satisfaction in life is related to what one is and what one does, rather than what one has. As a consequence, many Americans are caught up in a race to catch up to, keep up with or surpass the mythical "Joneses" by buying and owning the symbols of financial success. Thus, the number of individuals seeking financial counseling is increasing in this period of inflation and a shrinking economy. Never have we had such a great demand for our services.

This conference addressed a broad spectrum of topics related to financial counseling. The purpose behind this was to raise our consciousness to the great diversity within our field, as well as to provide information and training to develop individual skills.

Numerous speakers at this conference addressed the role of a financial counselor. More than once we were warned against providing a service that creates dependency on us - lending too much support and thus depriving our clients of the experience of doing for themselves what we often do for them. The maxim:

> Give a man a fish and he can feed himself today,
> Teach a man to fish and he can feed himself for life.

appears several times in this proceedings. We would do well to assess our role for the 1980's: Are we handing out fish or teaching fishing?

In this proceedings, Rodney Brown clearly describes the physical, mental and spiritual anguish of some of his debt ridden clients. No-one who has witnessed the agony of a family hounded day and night by creditors can minimize the role that we play in interceding for our clients. The question is whether we can justifiably limit our role to only this type of intervention.

In every training I provide for low-income counselors, I ask, "How can we structure our counseling intervention so that our clients get to experience that what they do makes a difference? How can we get them to experience that they are always in control, always responsible?" The counselor who is concerned with protecting an "incompetent" client, who is creating dependency, usually cannot see the value of providing this type of experience.

Most of us place considerable value on our role as community educators. In this role, we need to clearly demonstrate that financial management is an example of taking personal responsibility in the broader sense, and that taking responsibility for total life management is the larger lesson we teach. Werner Erhard perhaps summed it up best:

"You and I possess within ourselves,
at every moment of our lives,
under all circumstances,
the power to transform the quality of our lives."

This power was clearly demonstrated in a series of financial management classes taught in a residential group home for the retarded in Madison, Wisconsin. Despite staff predictions, the residents did learn. Many residents opened checking and savings accounts. Those of higher mental functioning assisted their less able friends. In the unfolding of this process, a few experienced their ability to take charge of their own lives. These few, predicted by the staff to be permanent, lifetime residents at the group home, moved out into the community. They found jobs, rented apartments, managed their affairs and paid their bills. Their lives were transformed.

Each one of our clients has the capacity to experience satisfaction in life when it becomes clear that satisfaction is not related to material possessions, and that dissatisfaction need not be a consequence of lack of money or overindebtedness. To the extent we can apply techniques in a way that enables clients to experience this, we will truly make a difference in their lives.

There are techniques presented in the material that follows. Greg Seivert makes the point clearly that techniques alone can be good or bad - that we must be clear about the purpose for which we use them. To the extent to which we use our techniques for the higher purpose of enabling clients to take responsible control of their affairs, we will make a great difference in our communities.

Those of us whose training is in clinical or therapeutic theory are prone to see financial problems as symptomatic. Thus, we look for underlying causes to deal with. In our search, we inevitably turn up interpersonal maladjustments and we approach the problem through that medium.

Those of us whose experience came on the job, who have seen couples with no basic underlying interpersonal hostility arguing viciously about finances, have often found a pragmatic approach effective. Thus, we are prone to see ignorance and lack of financial management-related skills to be the cause of the interpersonal conflicts.

This constitutes the classic chicken-and-egg argument: which came first, the interpersonal problems or the financial problems? We see what we were trained to see. Those of us who have both backgrounds generally accept both cause and effect explanations, since neither has ever been proven conclusively to be true, and each may be found to varying degrees in any given client.

The techniques that follow are derived from both theories - the management/education approach and the therapeutic approach. To the extent to which these techniques are congruent with your underlying philosophy of counseling, you are encouraged to use them.

If the reader keeps in mind that having a clear purpose for using a technique or approach, and that using an approach that is appropriate to the client, is more important than the technique itself, you will find your interventions to be most helpful to your clients. Counselors need techniques. They are our tools. We need to become skilled in our use of techniques and to know when it is appropriate to use a given technique. The use of interpersonal therapeutic techniques with couples who have a sound relationship but who lack information and management skills, is just as inappropriate as teaching information and management skills to couples who have severe interpersonal maladjustments. Since each of us have different abilities, it is best to be ready to refer clients who have problems which one is not prepared to handle.

The ultimate measure of your counseling skill is found in your ability to enable clients to discover that they have the power within themselves to take charge of and be responsible for their financial affairs. The material that follows is provided for the purpose of enabling you to develop that skill.

CURRENT ISSUES IN FINANCIAL COUNSELING

Flora Williams
Purdue University

* * *

This is exciting...for I predict this is a strong beginning of a movement of a professional organization, where we can communicate our concerns and our strengths, clarify who we are as financial counselors, identify the solid rocks upon which we build, become aware of current issues, and examine our commitment and philosophy. It's a wonderful experience to be a part of a financial counseling conference, for financial counseling itself is exciting. It's timely; it meets real needs of people everywhere; it relates to traditional services; and it gives hope in difficult times.

Clarification of Financial Counseling and Our Services

What does financial counseling stand for? Financial counseling is concerned with the creative use of all resources to obtain economic well-being of individuals and families. Financial counseling applies principles of economics, management, and behavior modification to help clients achieve permanent improvement in financial practices and status beyond crisis resolution or debt adjustment. Financial counseling, in a structured process helps people to (1) increase income, (2) reduce expenses or avoid additional financial burdens, (3) manage debts or legal and tax obligations, (4) establish a workable system for money control, (5) act, with knowledge of legal rights and legal processes, and 6) clarify priorities for changing consumption and saving. All these aspects of financial problem solving are considered in each case. Information on all these components are synthesized and applied in specific steps. Financial counseling communicates relevant information, predicts trouble, clarifies misconceptions, and isolates immediate and real problems.

Various people with various backgrounds and perspectives claim that they do financial counseling and they do advise although they may deal only with parts of the financial affairs. But if the affairs of life could be compared to trees in a forest, it could be seen that there are many trees, and these people have staked out only a few. The financial counselor looks at the forest -- the whole of financial affairs — and knows that what happens to part of the system affects other parts of the whole. Who are the people who have staked a claim on financial counseling or at least have staked a tree? What are the issues?

To lay people, financial counseling often is assumed to be investment counseling. There is a need for this advising, but the basic operations must be functioning, and decisions about surplus income must be made, before investment advisors take over. Financial counselors work on the operational phase as well as providing information for alternative resource use.

Personal financial planners and brokers do financial advising. Some are certified financial planners who advise in investments, insurance, or estate planning. They usually have vested interests, although members of the Society of Independent Financial Advisors do not. Many work with high-income families similarly in ways we work with others. Some are called money managers. They have been publicized in national news coverage. The International Association of Financial Planners' membership is over 4,000. Many of them peddle their products.

Persons in the insurance field call themselves financial consultants or counselors. They collect fees for their services, although in many states if they do so they can not collect commissions or be an agent. The financial counselor, in contrast to those associated with the insurance industry, evaluates policies for duplication or unnecessary coverage for the expense. To determine insurance needs, the counselor considers flow of income, other investments, and stage of family life cycles.

There are credit counselors, commercial and not-for-profit, some of whom collect fees while others do not. They have staked the tree, obviously, of credit management. Other names for them are debt adjusters, debt poolers, proraters, money managers, and financial advisors.

Paying fees in itself does not make a service unethical. In fact, many agencies have found that when people paid they listened better. The issue here, however, involves collecting of fees and tax status as a collection agency. Members of Consumer Credit Counseling Services have done an excellent job and have received national recognition. Their reputation, or greater visibility, nevertheless has created a narrow image of financial counselors.

Financial advising is done in lending institutions such as credit unions, banks, finance companies, and mortgage institutions. Although most of these are concerned with dollars generated, many are genuinely concerned with client's welfare. The credit union's counselors, for example, do advising with prorating. Bankers are trying to protect and increase income by trusts as they do financial advising.

There is financial advising in crisis situations such as that done by social workers in Family Service Agency, lawyers, loan consolidation officers, consumer action programs, and crisis clinics. Through this counseling the crisis situation may be resolved, but little time is spent on preventing further crises or on related economic well-being.

Financial advising is done by lawyers although their knowledge of finances and family management may be as specific, narrow or limited as it is for others who have staked a tree. However, the legal tree is an important bulwark in the forest of financial counseling. The financial counselor can guide clients in questions to ask of lawyers in will planning, protection of estates, and divorce decrees. Financial counselors, to avoid being accused of practicing law, must give alternatives and let the client choose.

Housing counseling is becoming an important adjunct of financial counseling done by those specializing in mortgages, in federal programs, or in ways to deal with energy problems.

Financial counseling is done by cooperative extension services, some in a broad sense, some in a narrow sense, and some by use of computer programs. They help families make goals, reduce expenses, and make decisions.

In a survey conducted by the American Home Economics Association (1978), academicians in colleges and universities reported that they were training financial counselors, but many were referring to teaching the theories of consumer and family economics, management, or education which counselors apply in professional work. Sixteen units of higher education reported actual practicum experience in consumer/financial counseling.

Consumer economists study problems of credit, insurance, and consumer legislation. Family economists do financial counseling as they analyze income flow and consumption patterns, deal with inflation or recession, study consumer expenditures, identify standards for adequacy, explain the decisions throughout stages of the family life cycle, apply economic principles and tools, and aid lawyers in measuring value of household work.

Financial counseling is done by consumer educators in high school, college, extension, and adult programs indirectly or directly from the educational model.

Advocates for the Poor in local communities counsel people in obtaining more government benefits. Consumer advocates counsel people in fulfilling their rights, taking appropriate action, and communicating with the business world or landlords.

The therapist and the marriage and family counselor do financial counseling as they try to change self-concepts, emotional uses of money, and attitudes. They reconcile conflicts among family members.

The financial counselor, in contrast to other counselors, concentrates on change in structure, organization, techniques, information, and methods of handling finances with the hope that attitudes will follow accordingly. Other problems are referred to professionals. Improved attitudes, especially a sense of control, do result from the change in structure. Just getting the clients to organize their papers and their spending is doing something concrete. These are steps toward feeling a sense of control. It's a positive action to discuss one's finances with someone else. This setting up a system with the help of a professional gives order to chaos, hope, and a sense of support.

If we feel threatened by others claiming to do financial counseling, we should remember that competition leads to quality and improved service. Competition forces us to delineate and explain what better we do and to examine the breadth and depth of what the word "financial counseling" implies.

Financial counseling's unique service is recognized as the counselor educates and aids other professionals such as (1) lawyers in divorce settlements, (2) CETA trainers in evaluating financial situations and adjustments in income after employment, (3) social workers in rehabilitation or half-way houses in figuring costs of transition from dependent to independent living and setting up structures for money control, and (4) teachers in public school who should educate the youth about our services and about how the legal/credit world operates.

From the preceeding discussion of all those who claim to be financial counselors and from the rapid, unrestricted growth of the field, it can be seen that clarification of the name of our profession and a means of identity are urgently needed so our services may be recognized, understood and sought. Financial counselors need publicity, need to get recognition for their achievements and what they can do. We need to agree on the definition of financial counseling with its total approach and depth. Then we wouldn't always have to explain what we do. This could help our students get jobs, for there are opportunities even though not all are under one particular name. This national conference helps. Certification would help. Licensing might help. Articles which demonstrate expert analysis of family economics help.

A national organization of financial counselors would help. There are financial counselors who didn't know about this meeting. A few years ago, I knew several people (at least four), located across the U.S. who thought they were the only ones teaching financial counseling, or who had a practicum, or who had written a manual or book on the subject.

Competencies and Professional Skills of Counselors

For financial counseling to develop as a professional field with respect from the business world, the academic world, professionals in the community, and consumers who will seek its services, it must be solidly based on sound knowledge and research. We have to move beyond a view of counseling as sitting and chatting. Financial counseling must move out of the age of the small "ma and pa shop" which automatically puts everyone on a budget and debt payment plans.

The theories and tools point up the "high calling" and great expertise demanded of financial counselors. Let financial counseling not be accused of having no theories and therefore not being respectable. What are the solid rocks and the earth upon which our forest of financial counseling is built? What are the theories for basing research in financial counseling? The knowledge and principles we apply are rooted in the fields of:

Law, to the extent of knowing consumer rights and recourse, availability of consumer protection, the legal process, property rights, facts about bankruptcy and Chapter XIII, implications of action or no action, advantages and disadvantages of court action, and how to stave off immediate action to gain time to work out a solution;

Consumer and family economics, with knowledge about credit, insurance, investments, housing costs, buying goods and services, minimum living costs, methods for evaluating household work, using cost/benefit analysis, and economic principles applied to the family;

Business management, for operating the counseling agency and understanding how creditors, finance companies, and banks operate;

Psychology, which explains factors of human motivation and behavior modification, undergirds interpersonal and communicative skills, and emphasizes empathy on the part of the counselor;

Communication, which emphasizes listening, interacting, zeroing-in on the client's needs, and seating arrangements which enable communication flow;

Management, with its process for achieving goals, value clarification, exploring alternatives, follow-through or implementation of plans, resource identification, recognition of what can be controlled or changed and what cannot, and building up protection for those things that can be controlled.

Financial management, which includes financial planning, timeliness of investment changes, budgeting with different types of forms for different problems, alternatives for restoring solvency, systems to control money, credit, and impulsive spending;

Home economics, with its knowledge of foods and nutrition, child care, clothing, housing, and its application of the consumer and family theories in its operational approach; and

Education, which applies principles of clarifying specific steps, writing down information, moving clients toward successful change, and involvement. This is emphasized in the quote, "Tell me, I'll forget. Show me, I may remember. But involve me and I'll understand," and another famous quote, "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime."

By having a firm foundation in these theoretical bases, financial counseling will be recognized as a professional service, both an art and a science and not just a technician's service of "form processing" which treats clients all the same.

The art of counseling involves grasping the whole and working on a detail, recognizing cues, choosing relevant information to present in an efficient and non-threatening manner, choosing words and budget forms according to types of client and situation, acting quickly but waiting for more information in some cases, being creative in exploring alternatives, rephrasing problems until client agreement is reached.

Beyond the art and the science, the counselor should develop other professional skills. These include communicating with other professionals in the community and creditors. Financial counselors have to operate professionally to maintain credibility, to "wheel and deal". Counselors may be asked to sit in on staff meetings, work with lawyers. A counselor needs to know who else the client is working with and what other advice is being considered. A counselor needs to know when to involve other professionals, what services are available, what aid is available, and how agencies work. The counselor is a team member.

Now that we have explored the theoretical bases, the art and science of counseling, the professional skills, there remains one factor for developing competency. That is real life experience. If you feel you qualify for half the foregoing job description for financial counselor or have studied half of the theoretical bases, go ahead and try. You will learn in the process and be trained on the job, which is efficient in that you will get relevant information as you need it. Without experience you will be like the child psychologist who had no children but wrote a book entitled "How to Raise Children." After he had a child, he wrote another entitled "Suggestions on How to Raise Children," and after his second child, it was entitled "Hints on Raising Children," but after his third child, it was entitled "Parent's Rights." Counselors don't have to be pushed around by clients and creditors, either.

Recognizing Current Issues and Changing Economic Conditions

Financial counseling is a dynamic endeavor. Counselors must not only have depth and breadth of knowledge but they must be in tune with changing economic conditions and know when the old "rules" are not appropriate. What are some current conditions relevant to financial counseling?

What is happening to individuals and families? There is a two-way squeeze created by increased prices and taxes. Real disposable income has not increased. Middle-income families are treated like the high-income families of yesterday because of a tax structure that has kept percentages at the tax brackets the same although inflation has increased.

Consumer debt has increased. Time (February, 1977) reported that five percent of all credit buys were by consumers into debt "over their heads." A recent poll (Harris-Lewis) found that 58 percent of Americans surveyed were extremely worried about a growing debt load. They said they were forced to borrow money because prices kept rising. But there are now signs that credit is becoming more restrictive by banks, gasoline companies, and others.

However, financial counselors report that debts other than installment debts are causing the real hardships on many families. We are well aware that the culprits today are housing and utilities. People are using bank cards to borrow for basic needs. Poor people in old houses have a new burden. There is government aid for some but not for all. Middle income families spend 44 percent of their income on their total housing package (Urban Family Budget, BLS, 1979). If payments of utilities or household operation are behind, consumers may be required to pay a deposit and a lump sum which forces them to get a loan.

Another culprit is transportation costs which are basic to getting and holding a job. A real villain is the pressure to have a new car, truck, or cycle which is financed over four years during which the vehicle will need repair, may be repossessed or involved in a wreck. If payments get behind, a person may owe more than he did before.

A real culprit is "automatic overdrafts" which instantly advances credit if there are lack of funds to cover a check. It has created "compounded credit problems" for our clients.

Loan consolidation is widely publicized to be such a great solution but, on many of our lists, we know it can be the worst alternative. If financial counselors did their jobs, they could put debt consolidation out of business.

The energy situation is, as President Carter predicted months ago, requiring adjustments equivalent to war times. Unemployment in related industries is already occurring.

In the U.S. Office of Education survey (1975), about 30 percent of Americans were found unable to manage a family budget or were incompetent in consumer economics. Others "just got by." Some were competent. In the name of convenience and progress, managing money is becoming more complex. Credit is abstract, anyway, and where have you found simple techniques or a system to know how much is outstanding and how to control it?

Using credit in itself is not an evil. Credit is like fire, sex, or drugs in that it can be used or abused, and when under control it expands our budget constraints and makes use of opportunities. An awareness of economic conditions leads us to see the advantages of credit. When interest is tax-deductible and the inflation rate is high, buying durable and appreciating items is a wise economic move.

The timing of 30-day charges can provide interest-free use of money for almost two months. The villain is not only easy credit but lack of education that is causing problems for many.

Finances and management have been reported in surveys as leading causes of family disagreement and divorce. In the General Mills Study (1975), 54 percent of the families argued a lot about money. Financial counselors report that they have saved marriages by building structures, enabling communication, relieving pressures, or pointing out the costs of separation and the lower level of living when divorced.

With the increase of single people and single parents seeking financial counsel, material has to be updated for them. That raises the issue of terminology again. Family financial counseling isn't all-inclusive, but neither is consumer financial counseling or money management.

Current statistics give different signals for financial planning. With people living longer and inflation wiping out their preparation for retirement, we might be tempted to gear only for the future. But with the cost of raising children, and women working during and after they are raised, we might say spend during the early years using credit if needed to improve quality of life. It is helpful to point out to clients that many of their costs will be decreased after children are raised so they should not be so frightened at the cost pressures during certain stages of family life. An assumption about tax-sheltered annuities is that in later years, taxes will be less of people's income. However, this is a wrong assumption in many cases where tax deductions are greater in the early years. Also, with many husbands dying at around 65 or before, spending money on vacations may not be so frivolous. These brief examples show that the advice on how to allocate money to past, present, and future satisfactions is not always clear.

There are exceptions to rules. Investment advice has included the rule, "Have three to six months living expenses before investing." But that advice alone does not take into consideration other sources of security, job security, health, accident proneness, or emergency help a person might have. We have to help clients learn how and when to jump at an opportunity, to take a risk. We could ask them what is the worst that could happen, and if they could accept that event. Going into debt is actually one way to succeed in business or in a profession.

What are other developments which cause us to reevaluate advice given to clients? The increasing cost of housing implies a different rule of thumb.

The stock market has changed so much that the old rules for advising don't apply. Having new options such as treasury notes with interest rate of 10¼ percent fixed for nine months, implies different investment advice than in previous eras.

New tax laws are a maze. There are new estate planning techniques and a bewildering variety of savings plans and insurance policies. The new bankruptcy law, with changes since 1938, implies a different look at this alternative. There are major changes in Chapter XIII of the Bankruptcy Act which qualify many more people to participate.

Financial counselors will need to develop new expertise in issues of property rights and financial obligations upon divorce. The "no-fault divorce" development is compounding the situation. Displaced homemakers are hurt without good financial counsel that recognizes various costs and contributions. As illustrated in the Marvin case in California recently, the counselor's tools will need to be sharpened to measure the monetary value of work and effort that reduces the need for money around the home. Financial counselors with their expertise can point out considerations in property settlements, child support payments, and legal arrangements of ownership.

The need for counseling is greater now than just a few years ago. A financial counselor needs to be a generalist with knowledge in many fields to fit the pieces of the puzzle together.

If finances and management are so basic in our society, why do people have problems? Why have adults not learned to plan, to budget, to make decisions? Perhaps because in their youth they have managed only discretionary income? They have not learned to meet basic needs first, prioritize spending, or be well organized. Others use money and credit not as tools for economic means but as crutches for emotional means, creating chaos with fixed and flexible categories. Some just don't know alternative ways to manage. They are not aware that ultimately nothing is a fixed item of expenditure.

Then there are the conscientious people, conscientious citizens, parents, and professionals, who with high incomes have difficulty meeting all the conscientious commitments they have made in building a quality of life for their community, children and profession. Here is a combination of the high costs of living and the cost of living high.

Other problems are a result of factors outside one's control. Whenever there is a national or personal crisis, we have to reevaluate the use of resources. Some financial counseling writers have underestimated the bulk of problems caused by factors outside the control or direction of the family and not a result of mismanagement. Many are at the "brink of financial despair" (Buckner), and when accidents, desertion, lawsuits, illness, or unemployment occur, they collapse under financial stress.

A survey (Five Thousand Families) found that change in economic well-being was a result of family composition, number of earners, employment with built-in insurance, and health rather than ability to make a good budget or a good attitude toward finances.

Many of those seeking financial counseling are really managing as well as they can under the circumstances. We need to commend them when they are managing well. We need to support those behaviors and insights they are performing well. Sometimes, clients merely want our professional support because they already have figured out some good ideas or they wonder if they are spending too much. Many clients are bewildered and going in circles and not acting toward the solution, one step at a time. The counselor breaks into the circling pattern and enables the client to move toward a direction with precision.

Actually, it is surprising that more people are not having financial difficulties when the complexity of the market system and possibilities for trouble are considered. It is difficult to advise when signals from economic indicators are bewildering and contradictory. It is so complex and nerve-shattering that it could be said of the financial counselor, "If you keep your head when others are losing theirs, you do not understand the situation."

Let us go beyond understanding the current situation and the given direction for the future. As professionals, we can interpret current conditions, but we don't have to sit back and say that what is, is what should be. For example, financial counselors use the tools provided by consumer expenditures surveys and Urban Family Budgets which report actual costs and percentages. They are useful guides, but they should be not used as prescriptions. Financial counselors need to interpret reports and adjust averages for the particular client.

Commitment and Philosophy

A strong theoretical base, all the knowledge in the world, and awareness of current economic conditions, in themselves, will not advance financial counseling in practice or as a profession. We will advance and gain recognition if we have a sound philosophy, high professional standards, and are committed to service.

Our professional philosophy must be positive, seeing the best in our clients, acknowledging what they are doing right, supporting them, believing in possibilities, assuming they can become economically capable, and having a sense of humor with them. It is easy to get cynical when working with people who have problems. Let us be astute to know when clients or creditors are playing games with us. We must counsel defensively.

We need to shed our prejudices against certain types of people. We cannot stereotype the type of people who need financial counseling -- they come from all walks of life.

We need to evaluate our service in terms of the real needs of people, not by the dollars our business can generate. We must build respect for our interest in helping people and let us not be considered less respectable because we do not manage great estates.

We need to be committed to considering the whole picture -- the forest, not just the trees -- and deal with all components of financial counseling simultaneously. We must have a sense of urgency in helping people to concrete action with relevant information.

We need to examine why we are in counseling? Is it to keep clients dependent on us, keep us in business? Are clients fulfilling our needs for the parent role? Our own personal security and knowledge base need to be developed in order to have a philosophy of helping clients to gain their own control, to be competent to handle their own affairs. Clients do not learn if we continually take over their debts and make decisions for them. However, we have a professional obligation to point out what might really hurt them, the consequences of their decisions and priorities, and to stay with them until new patterns of control have formed, week after week in some cases.

We must be consumer-oriented, not creditor or business-oriented although we must improve communication among business, legal services and consumers. Let us not be accused of being "...nothing but a glorified collection agency."

A standard of ethics is a must for financial counselors. The issue here is the pointing of fingers at some types of counselors and saying that they are not ethical. Let us remember that there are both ethnical and unethical, conscientious and unconscientious people in government, business, law, academia, the clergy, and among consumers. Individual reputation affects the whole field. Let us improve the education and reputation of all financial counselors, and the financial counseling field will advance.

Let us look to the future. To gain recognition as a mighty forest, to be grounded on firm theoretical foundations, to perform well professionally, and to be aware of economic conditions, we have to be committed to updating our skills and knowledge. Competency combined with genuine service will be rewarded. But, you ask, who will reward us, who will know if we do a good job as counselor? To paraphrase Sir Thomas Moore, "You will know, your client will know, and God will know...and that is a pretty good audience."

FUTURE PROJECTIONS FOR FINANCIAL COUNSELING

Gerard A. Lareau

President, Consumer Credit Counseling Service of Greater New York.

* * *

We have all points of view covered here at the head table today. I try to advocate financial continence and my wife advocates buying - she is in advertising. I think that the resolution that David Myhre read to you regarding the White House Conference on Families points out we're in a very, very difficult yet very exciting time. Inflation is setting new records - it will continue to do so for some months and possibly a few years. That creates a lot of instability. Let me give you one prime example that we use in talks which I think all of you - or at least your parents - can relate to.

A person who is a worker retiring this year with a pension that starts at $10,000 this year and remains $10,000 for the next five years, is going to find that it will be worth $6,000 five years from today, in buying power. That's if we're lucky. It could be worth $5,000 (or 50%) or even less if we're not quite so lucky. This projection is based on a consensus of economists both in private and governmental sectors and the research area. The forecast is really grim. There will be social and financial dislocations because of this very great, rapidly continuing inflation. It's a problem that is not going to go away. We're not going to see it solved by the projected (and, according to some economists, already starting) recession.

In the past - at least in the 40's and 50's - if we had a recession, we could usually expect the inflation to be cured by that recession. It is not going to be that way now. At most, you might see the inflation rate drop from 9 or 10 percent (and I think that 10 percent is a true rate right now for this country) to maybe 8 or 7 percent by 1981. It's not a very cheerful forecast.

Our range of economic choices is becoming more complicated at the same time that we're undergoing inflation. The number of questions that people need to know the answers about is increasing, even as inflation is raising incomes and pushing people into new and higher tax brackets. What tax-deductibles are important? What should you think about when buying a home beyond just the purchase price? What are the tax write-offs? And this goes on through the whole range of personal and family expectations and needs.

The variations on credit and sources of credit are changing more rapidly today than at any other time in history, if you've studied economic history. The various segments of the finance industry - banks, department stores, retailers - are offering a wider choice of credit and other financial services. You see where Sears is now going to sell

500 million dollars worth of savings certificates. There is a very competitive changing flux of economic choices from financial industry sources.

Credit unions are now issuing credit cards. That used to be a field left open, originally, only to commercial banks, then later to savings banks. Now the credit unions (and sooner or later other groups) will bring out and issue credit cards of the general purpose type you see now with MasterCharge and Visa. The banks in the major money market centers such as Los Angeles, Chicago, New York, Philadelphia, are now showing their retail side - the side that deals with you and I as individuals - and are now issuing credit cards in markets outside of their home markets. That's a new departure, a major change. People living in Boise, Idaho; Amarillo, Texas and other smaller towns away from these money market centers are now being offered new forms of credit and this hasn't even begun - it's going to vary more like that in coming years from places like BankAmerica in San Francisco and CitiCorp in New York. Continental Illinois is going to be entering this market and it will filter down - you'll see certain strong regional banks such as Wachovia and North Carolina National Bank enter into the fray. All the rules of the game are changing.

Recently I've noticed that industrial banks (a small unknown group of banks primarily in a few midwestern and western states, most markedly seen in Colorado) have suddenly been bought up by financial institutions from around the nation, from totally diverse points of the compass. From the west coast, east coast, Chicago and elsewhere, industrial banks are being turned into vehicles for marketing credit to the public in small towns and large cities far away from the home base of their parent corporation. The field is changing very fast. This change with industrial banks is so new (most people don't even know how to define them except those who own them) that the press, the national press, hasn't even picked up on this change. It's so new, it's not even known yet.

Interest rates on savings are in constant flux today. The Gray Panthers are now pushing to have the minimum amount of money reduced that you need to deposit to get a rate of interest higher than 5% or 5½% on passbook savings. The Gray Panthers want the minimum deposit to be $1,000 instead of $10,000 for savings certificates. There are other groups who are requesting similar changes regarding savings. The sad thing is that the savings rate of the American consumer dropped very drastically in the last two quarters - to the lowest rates historically since World War II. People are not saving. This is one of the reactions of the consumer to inflation. It's very destructive and it's very sad because we're about to, or have already, entered a recession at a time when people need a savings cushion - and they don't have it to the degree that they had it in prior periods of relative income. They're not protected to the degree that they were a few years ago.

I'm also starting to hear some ominous sounds from some economists--some of the better ones I think, for long range projections - that this recession might be as bad or worse than the last one. It's not going to be a soft one. And don't believe the offical government policy that there won't be any recession. No national leader in any country, that has any pretense of being a national leader, is going to say that they are going into a recession. They just don't do that, any more than they tell you they're going to devalue their currency. People have to turn to other sources for the truth.

One reason why consumers aren't saving is their fear that if they don't buy that car or washing machine right now, it's going to go up in price next week, and they're probably right. Or else the other argument (which is sadly true in one sense) is to borrow now and pay it back in cheaper dollars later, without considering whether you will have an adequate income to pay those dollars back. This is all part of the inflation psychology which is so disruptive. Then of course, if your savings happen to be in a commerical bank, you're getting 5% interest before taxes - 3% after taxes, for the average American family - which results in a 5% loss each year on your savings. That sort of makes the word "savings" seem upside down - it doesn't make sense anymore. How do you encourage people to save? I feel really foolish telling groups to save. I personally believe it's a reasonable proposal and I also know it's kind of a mockery at this time, with what we're doing on rates of inflation. In western European nations, the governments allow the first few hundred (in some cases, the first couple thousand) dollars of interest on savings to remain tax free. Our government, when this has been suggested to the Federal Reserve, and the Carter Administration in Washington say, "no dice. We don't want to do that." Well, that's a great way of causing disinvestment with savings. It's not the way to create family stability and security.

If we don't have much beyond our savings, look at social security - its future is in question. It's inadequately funded for the next ten to fifteen years and there are serious political fights going on as to how we can adequately finance it and not harm the present generation of workers - so you can support the retiree and not destroy the economy in the process. What is emerging is that there is no real guarantee that savings or payouts for social security in the next ten years will keep up with inflation as it has done in the past. There may not be enough money, or the fight over it may become so acrimonious that nothing is done to keep it up with inflation. This might be a standoff. That will mean that people cannot ignore savings. They will need savings even though the savings will be eaten up by inflation - it will have to be accepted.

I think what this means in personal terms for those attending this conference is that we have to push the work we've started here and in our hometowns. There is a growing need for informed personal financial counselors. You may want to change the title from what I'm saying - personal financial counselor - but whatever you like to call it, there is a need for a person carrying out that function in your community. There is a need to make that person better informed, more effective and better marketed, so that not only do you do good work but the public in your town knows that you're there, that you are effective, that you are professional, and that you can provide help - and, of course, that help is needed. Look at concerned and unconcerned people, because the unconcerned will cause further trouble if they don't get your sort of help.

We're looking for new ways in our agency in New York City to augment the delivery of specialized financial counseling services. One example is pre-retirement financial planning. We find we can reach groups at the age of 55 and over. I'd personally like to see it start at 45 or 40, but I don't think we're there yet. We do pre-retirement financial planning sessions for corporations - Celanese and Newsweek are two that come to mind that we've done recently. We talk to union groups and social service groups. B'Nai Brith has become active in this in various chapters around the country and we've worked with them on that. We are now talking to religious groups about making mandatory financial planning before you make a marriage contract not just a theory, but working out an actual budget for the family. Then before they get married and start having fights of how to share the power, as Dr. Sporakowski mentioned this morning, the family knows how to negotiate successfully on money and power or the relationship to money, so that money doesn't become a focal point for dissension and destruction in the family. We must address this need for premarital financial planning. Not just counseling, but actual planning - nuts and bolts numbers - because we looked at our caseload coming in and we noticed that an extraordinarily high proportion (higher than the national norm) of people who come in with money trouble are divorced or separated. We questioned them and they indicated money arguments, dissension about money was one of their major problems - in some cases the prime one.

You can't ignore money in money management but in the past we somehow assumed that we all knew how to do it. It was a less sophisticated world. The devices for saving, devices for spending, were less sophisticated. The range of options was pretty clear. You took cash to the store and you bought. If you didn't have the cash, you didn't go to the store, or else you just looked and walked on. It's a very, very different world today and we need to change the approach and create a specialist class of people - financial counselors - to help the public deal with this new world. It's been done in other industries or with other groups as the recognition of problems emerge. I think we're at the time where the recognition of this problem is emerging.

I hope, I think we all hope, that we can encourage recognition of our field to continue. We hope that in conferences such as this we can improve our expertise, learn from each other, and go on building so that we have a brighter future for the communities we live in.

But we have to keep working on it if we want to increase our effectiveness and the respect for the work we do in the communities in which we live and work, and nationwide for the groups we work with. It will take many more conferences like this in the future so we can continue to exchange our knowledge and experiences. We need to develop continuing forms of communication. I think a good example is that we need a newsletter for our industry or our work. We need, possibly, a scholarly journal where articles can be submitted, screened, reviewed, passed around so we see what other people are doing. what they're thinking, where their thinking is taking them so we can learn and go a next step, but you need a way of communicating so we're not all out in the dark, not knowing what's happening.

My personal feeling is that all of us have found this meeting very useful and very productive. I've learned a lot. I've asked a lot of people what their feelings are and I've sensed that this is pretty much the universal feeling in the room here, and of those people who have already left. I think it has been an extraordinarily good conference. I've been delighted with it. I think it's time now to thank the staff of Virginia Tech for what they've done with it - how they've created and produced this conference for our benefit. I think special thanks is due to David Myhre and the leaders of the Financial Counseling Project. Let's have a hand for David and the staff.

David, I am just so pleased that we were able to get together. I congratulate you on this successful conference and I hope the staff here at VPI will have another one soon.

THE NEED FOR EMPLOYEE FINANCIAL COUNSELING:
AN INDUSTRY PERSPECTIVE

Rodney C. Brown

Pastoral Counselor, R. J. Reynolds Industries

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"Why is R. J. Reynolds interested in providing a Pastoral Counseling Program to its employees?"

One executive explained, "Whether we like to admit it or not, we have all sorts of personal problems brought to the job. We could say, 'Don't bring your problems to work! Leave them at home!' But, we'd be sticking our heads in the sand. That approach doesn't work."

Reynolds was probably the first industry in America to have a Pastoral Counseling Program. It was begun in 1949.

According to John C. Whitaker, former Chairman of the Board, the need for confidential help with financial complications provided considerable impetus toward the establishment of the program. One of his associates, and vice president, described the type of problem: "People had troubles that we were not prepared to deal with. Personnel was not trained for this kind of grievous condition. The supervisor did not have the time. It was a problem that people would bring to a minister - if they had one and felt they could talk to him and confide in him."

After 30 years, what are the major problems we deal with everyday?

The big four are (1) Marriage and Family; (2) Alcohol Abuse; (3) Financial Problems; and (4) Personal Concerns (including depression, low self-esteem, decision-making, etc.)

About 6,200 employees and their families have come for counseling at Reynolds over the 30-year period. The workforce consists of 15,000 approximately. Marriage and family problems account for more than half of all the counseling (3,565 of 6,200). Alcohol and other drug abuse amount to one-third of the counseling and consultations. That's more than 2,000 cases when the family's concern over the use of alcohol and other drugs is included.

Financial problems add up to about one-fourth of the employee counseling. Since 1972 when Consumer Credit Counseling began its service in Winston-Salem, financial problems in pastoral counseling have shown an overall decline. However, the slack is more than made up by the number of employees and families seeking assistance directly from CCCS.

The need for employee financial counseling - an industry perspective - is the focus of this report. It represents the vantage point of one industry from the experience of its Pastoral Counseling Program.

Financial problems among employees can be complicated entanglements; they can become crisis situations; they can be costly; they can be time-consuming. And, they appear at all levels of employment.

Employee Financial Problems--Crisis Situations

Shortly after I came to work at Reynolds 12 years ago, the phone rang early one morning. It was a supervisor out in the plant with an employee who was very upset. The employee had received a letter from his mortgage company which threatened to repossess his home if he did not come up with the payments immediately. Sound familiar?

"Alan"--I'll give him a fake name--wanted to take the rest of the day off to "go hustle" a loan. But the supervisor hesitated to turn him loose. First of all, Alan was needed at work, although not in that condition. Secondly, one more day without pay would only compound his money problems--and add to his attendance problems. Furthermore, where would Alan get the money? His credit was bad. What would it cost him if he got a loan?

The supervisor was concerned not only with production problems caused by the short notice, but also with the consequences to the employee.

The employee was concerned with (1) "Money!" and (2) "How soon can I get it?"

Alan came over to my office at the invitation of his supervisor. I recall his countenance: He was a man of sorrows, acquainted with grief. He had that look of discouragement. "Ain't nothin' gonna work." "Ain't nothin' you can say that'll do any good."

Alan was right. I had no pipeline to "easy money"--unless it would be "easy money with hell to pay" (theologically speaking).

Alan had more than used up his credit. He had ab-used his credit. A month earlier, he obtained a loan at the credit union to catch up house payments. But once the money was in hand, it was spent on other priorities.

But judgment day is fast approaching. The tenth of next month now!

Even the finance companies were reluctant to refinance. He was in too deep, paying over 40¢ on the dollar annual carrying charges in interest, insurance and late fees.

Bankruptcy was available. But he wouldn't consider it. That would tie up all his credit throughout eternity. (That's not his worst alternative.)

In a pinch, he could count on the friendly loan shark (who continues to be a regular fixture at the factory door across the street from my office.) The "shark," or vulture, is as regular as the clock strikes, putting out money on Monday and Friday, and cashing pay checks on Wednesday. He's there from 11 a.m. to 8 p.m. But, it would cost Alan a quarter-on-the-dollar each week. Figure out that rate of usury!

Not one penny would be credited to the principal until the interest is fully paid up. Employees have difficulty keeping up with these weekly interest payments of $5, $10, and $15.

No solution appeared workable.

I offered to arrange another meeting with the credit union on the condition that Alan would gather all statements, receipts, and bills so that his financial conditions could be analyzed. Then, a debt consolidation could be explored, or, Wage-Earner Plan Bankruptcy be considered as the last resort.

"That wouldn't do any good. I wouldn't get the loan anyway."

Alan decided to take the rest of the day off and try some other sources.

I recall vividly that parting scene: The emptiness and despair on his part; and the gnawing sense of ineffectiveness on my part. You know, we do-gooders get our batteries charged out of helping people. That morning my battery got discharged.

Several months later I met Alan's supervisor. "What did Alan ever work out? How's he doing now?" --I inquired expectantly.

"Oh, didn't you hear about him? He met head on with a tree--got killed--several months ago!"

There it was! There was his solution!

A tragic death!

I checked the pay off. It was substantial. He must have believed that he was worth more to his family in death than in life. No one will ever prove that it was suicide. But I will never believe otherwise.

Alan's money problem cost him his life. It cost his wife to be a widow. It cost his children to be fatherless. It added up to an irreplaceable loss and an immeasurable cost.

Alan's money problem cost his supervisor a heartache and a lot of soul searching.

Alan's money problem cost his company a valued employee.

And who bears the cost of those insurance premiums, hospital bills, production down-time, materials that need redoing, and the training of an inexperienced replacement?

When Alan was on the job, he was so often preoccupied that he was an accident looking for a place to happen. His "accident" happened to occur off the job. He was one employee with a crisis that we found out about after the fact.

Since Alan's episode, I have discovered through our counseling that 1 in every 30 employees at some point becomes so desperate over a personal problem or because of mental illness or intoxication that the employee contemplates suicide, or homicide, or functions as a hazard on the job. Other crises occur at work because an employee is worrying about a loved one at home who is toying with violence.

Alan's tragic death was not completely in vain. He left a legacy - for me, at least, to pay closer attention to my radar when a crisis is brewing. His untimely death was one of the ingredients that contributed to the establishment of a Consumer Credit Counseling Service in Winston-Salem.

Employee Financial Problems--Costly Situations

Next, let's take a look at "Frank" and his family financial situation. Family predicaments can be costly.

Frank struggled to raise his five children and succeeded. No sooner had they grown-up and set out on their own, than one of his daughter's marriage broke up. The complicating feature was that the young husband backed out of his support obligations. Therefore, Frank's daughter brought the twin babies back home to Granddad. But Granddad was not rejoicing. He felt dumped on. The financial burden became his all over again just when he got his head above water for the first time in years.

"Relief is just a swallow away."

Meanwhile, back at the job, Frank was being trained to operate a complicated cutting machine. He arrived at work feeling raw and bit hung-over. He cranked up his new machine for his solo flight and listened to it purr and hum while the materials flowed. In a matter of moments, he withdrew to his mental stewing: "How am I going to make ends meet with all these problems I didn't bargain for. I can't throw her out in the cold with those babies! That sorry no count son-in-law----." Just at this point, he notices that the machine is clogging up. Frank quickly jams the gear into reverse. Oops! He remembers belatedly that he is supposed to stop the forward progress before shifting into reverse. A small oversight.

The cutting knives are severed. The product is ruined. The machine is down for two days at a cost of $6,000 in repairs. The production line is stalled until it can be supplied manually. And Frank is recalled to his former assignment!

The moral to this story: "Worryation" over a family money problem, treated with the medication of alcohol, can be costly to the company as well as to the employee's career.

Employee Financial Problems--Time-Consuming Situations

"Gus and Greta" have a marriage problem. It's symbolized by who is the keeper of the exchequer.

Gus threatens to take out their money from the credit union where the wife works. But Greta beats him to the punch this time and gets the account switched to her name only. When Gus finds out, he becomes so furious that he threatens to come to the job, pick her up, and beat some sense into her. He has already battered her around over the weekend. Gus phones her and says that she had better meet with him right away and agree to his terms. If she refuses, she had better not come home because she "will not live to see the end of the day!" Gus carries a gun with him in the car.

Picture this: The wife works in an executive suite of offices where she receives that phone call. Can you imagine the conversation in that office, the level of attention she gets while waiting for Gus to arrive, and the amount of work that gets done that day.

A family financial feud can be potentially violent, time-consuming and talent-absorbing.

After four sessions of counseling, the couple agreed (1) to a joint account in a neutral bank; (2) to require both signatures for any withdrawal; (3) to refrain from any violence; and (4) to try a reconciliation. They have found an alternative to the power plays.

Employee Financial Counseling--How Widespread is the Need?

Records of thirty years of counseling at R. J. Reynolds place the financial problem in frequency alongside: (1) marriage and family difficulties; and (2) alcohol abuse. (Refer to charts attached.)

Our facts indicate that of every 100 employees in the workforce, 8 persons obtain help for their financial problems from Pastoral Counseling and/or Consumer Credit Counseling at some time during their employment. All eschelons are represented from bottom to top!

Those figures that I have reported are from a company that pays considerably above the national average factory wage and has one of the nation's most outstanding benefits programs which includes complete Health Care and Dental Care.

Reports from other company employee assistance programs indicate that financial problems may rank even higher--second only to alcohol problems--than has been our experience.

Employee Financial Counseling--A Mixed Bag of Ingredients

I have examined approximately 600 different cases where financial problems were manifest in pastoral counseling. Five hundred of them were observed to be entwined with some associated personal problems in need of attention. That is, 84% of those persons with financial problems also needed counseling for other problems:

66% had marital and family problems;

39% were or had been involved in court-legal action (Assault, DUI, manslaughter, garnishments, theft, bankruptcy, divorce, etc.);

33% abused alcohol and/or other drugs;

16% suffered with a mental illness or crises.

These were some of the contributing problems that were noticed. Therefore, these figures are minimal and conservative.

David Mace, past president of the American Association of Marriage Counselors and founder of the Association of Couples for Marriage Enrichment, mentions money problems, sex difficulties and in-law troubles as the "arenas" in which marriage partners act out their feelings of hurt and frustration. But the underlying cause may be related to their breakdown in communication, their unrealistic expectations, and their poor use of anger.

At R. J. Reynolds, we find that a multi-barrel approach is sometimes necessary and effective in dealing with these complexities. For example, a couple who comes to us may display features of a marital, financial and alcohol problem wrapped together. A series of four interviews might be scheduled with one of the pastoral counselors concerning the marriage relationship, including their expectations, priorities and values. We would acquaint the couple with a CCCS budget sheet and arrange an appointment with Gray Jackson or one of his associates at CCCS. When appropriate, we would introduce the husband, or wife, to our Alcohol Recovery Program and invite the couple to attend AA and Alanon, too. Sometimes they would be involved in several programs at the start, then follow through with a treatment program that works for them. During the process, they might also visit their attorney's office and a psychiatrist, if need be. In turn, we frequently receive calls and referrals from the court system in order to coordinate alternative treatment programs involving our employees and their families.

If the family makes it back to church together, they're probably on the road to recovery.

Employee Financial Counseling--How Effective on the Job?

One bit of research which I have not had enough time to play with, and a worthwhile project I think, would be to determine what percentage of employees who have financial troubles also have work-related difficulties in terms of performance, attendance, conduct, job accidents, and excessive use of medical and disability benefits.

Furthermore, what long-range results are noticeable on the job after employees have been provided help to manage their finances?

This kind of research has been done in reference to problem drinkers. We have discovered that when problem drinkers come to us for counsel, more than 90% are unsatisfactory performers in some aspect of their work. According to the National Council on Alcoholism, the problem drinker in the work force costs his company about ¼ his annual salary to keep him on the payroll in so far as the company does nothing about his problem.

At R. J. Reynolds, the positive effect is observed after the first year that the problem drinker participates in the recovery program. At least 50% of those who get help demonstrate clean work records in all categories of performance, attendance, and conduct.

What does this reference to problem drinkers have to do with employee financial problems? In one-third of the cases, they are one and the same individuals. There may be other correlations. If a problem drinker costs his company ¼ his annual salary to keep him on the payroll, then is it reasonable to guesstimate that an employee preoccupied with financial entanglements costs his company a tenth of his annual salary?

Let's do some figuring. Let us assume that a company which employs 100 people has at least 8 employees with financial problems. Let's also assume that the employees are paid an average of $10,000 a year. If our guesstimated cost factor of 1/10 is not unrealistic, then 1/10 of the average salary would be $1,000 per year times 8 which equals $8,000 wasted if the company does nothing. For some companies, that amount may be the profit and loss margin.

When I consider the size of our company, the cost of doing nothing would be exceedingly high. Yet when I consider the number of counselees and counseling hours provided by the Consumer Credit Counseling Service in addition to [illegible] Pastoral Counseling, the benefit that our company and employees are receiving is significant.

But, no instrument of measure can calculate the effect when the human spirit glimpses a ray of hope in the midst of despair.

I'm a minister who's been talking about money.

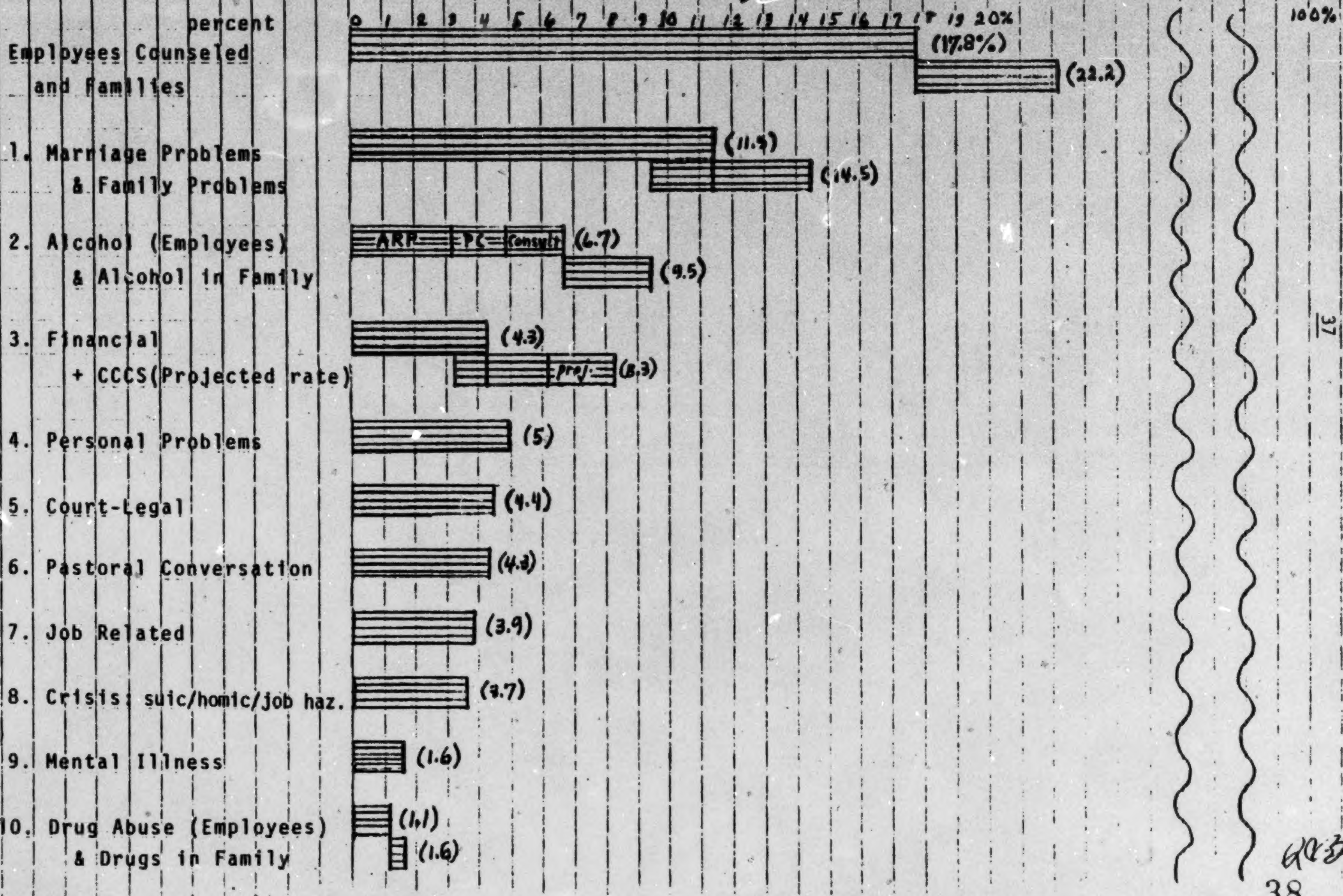
Jesus talked about money--about investing wisely and investing foolishly. Jesus talked about values: "Where your treasure is, there will your heart be also" (Matthew 6:21).

We're talking about values--values common to employer and employee--values which may have gotten distorted and confused and out of order.

We're talking about persons of immeasurable worth who happen to be entrusted by God to have dominion over His Creation -- and man's creation which is "easy money" and the credit card.

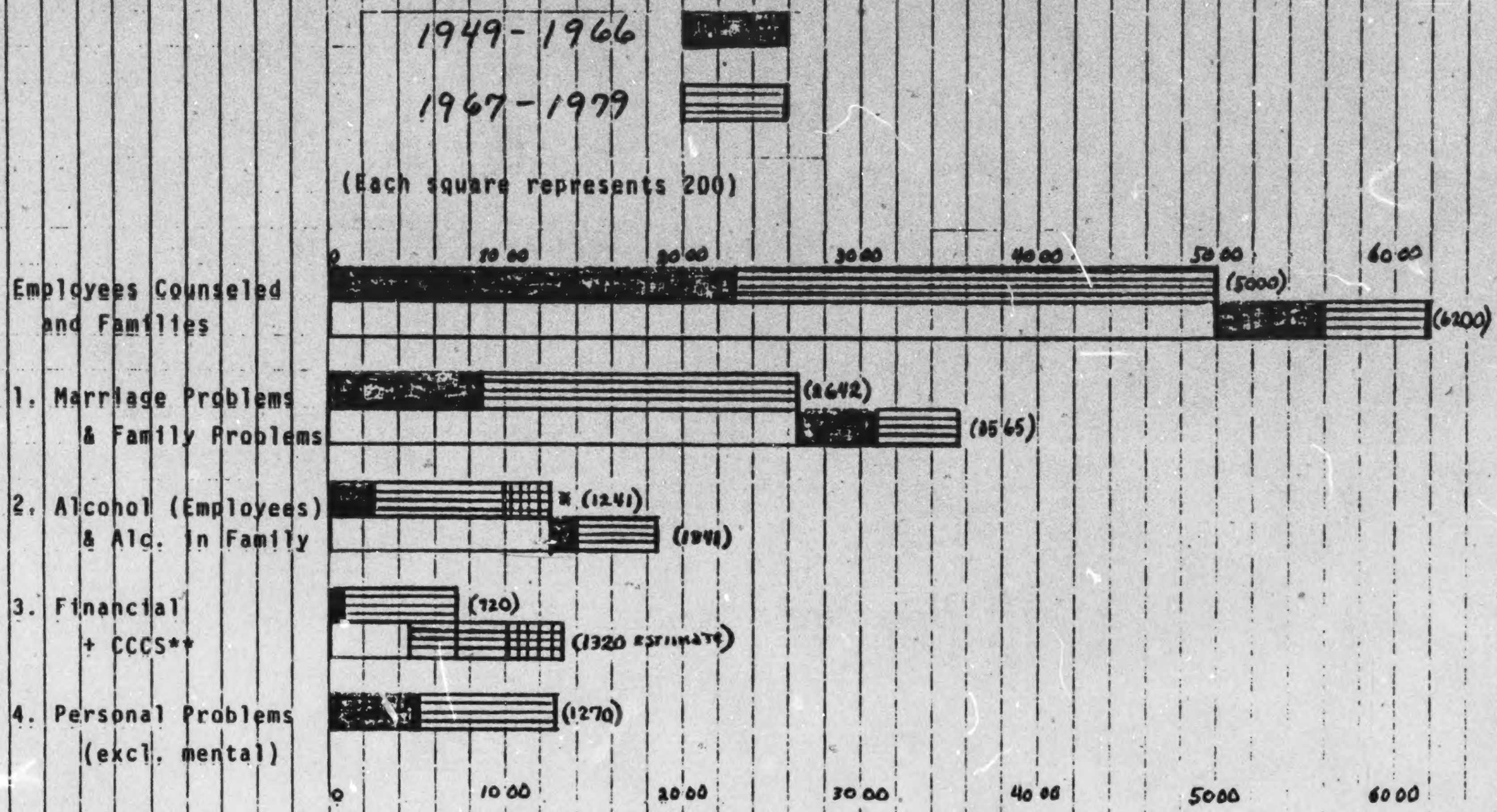
EMPLOYEE PROBLEMS -- RATE PER 100 IN WORKFORCE AT R. J. REYNOLDS INDUSTRIES -- 1967-1979

(The Duration of Employment Averages 13-plus Years for all Employees)
Prepared by the Pastoral Counseling Department



EMPLOYEES COUNSELED AT R. J. REYNOLDS INDUSTRIES DURING 30 YEARS -- 1949-1979

Pastoral Counseling Department



* - includes employees with alcohol problems on the job who did not follow through with counseling.

** - includes those counseled by CCCS in addition to Pastoral Counseling and projected to continue at same rate.

DEVELOPMENTAL ECONOMIC EDUCATION IN THE SCHOOLS

Z. Gray Jackson

Director, Consumer Credit Counseling Service, 714 First Union National Bank Building, Winston-Salem, North Carolina.

* * *

The Developmental Economic Education Program (DEEP), as a process of curriculum change, endeavors to adhere to the advice of Alfred North Whitehead:

> the first requisite for education reform is the school unit, with its approved curriculum based on its own need, and evolved by its own staff. If we fail to secure that, we simply fall from one formalism into another . . . (The Aims of Education)

In 1964 the Joint Council on Economic Education launched DEEP as an experiment designed to develop prototype economic education programs in grades K-12. Specific DEEP objectives were:

- To identify diverse models of curriculum revision in economic education.
- To improve teacher preparation in economics and instructional methods.
- To develop and evaluate new teaching materials for economics at all grade levels.
- To evaluate the results of the experiment.
- To disseminate the results of the experiment.

Each DEEP throughout the nation is different, since they are developed locally. Therefore, my remarks will be regarding the Winston-Salem Forsyth County Program.

Efforts to develop a sequential economic education program to raise the level of economic literacy of students in the Winston-Salem Forsyth County Schools have revolved around three basic thrusts: (1) incorporating economics units into social studies curriculum guides, K-12; (2) providing teachers with appropriate textbooks and other resource materials for teaching the economics units; and (3) increasing teacher knowledge of economics through in-service education.

In the beginning two committees were formed. 1. The DEEP Committee which is made up of one teacher from each grade level K-12, one principal from each school level, and a co-ordinator from administration. 2. DEEP Advisory made up of community leaders from industry, business, social agencies, retailers, bankers, insurance, etc.

Sub-committees were then formed from the DEEP Advisory Committee:

1. Curriculum - the purpose is to bridge the gap between the economic theory presented in textbooks and the practicality of what happens in the real world. Their specific tasks are to review the economic curriculum, recommend content, recommend local case studies, review and recommend materials for adoption, and make recommendations to the task forces.

2. Field Trips - the purpose is to assist the school system in identifying local businesses that could accommodate field trip groups. Their specific tasks are to define the nature and scope of the field trip, develop a listing of time periods for the field trips, and prepare an index of the field trips.

3. Media Presentation - the purpose is to develop slide and audio presentations of businesses in the local community - their purpose for being in business and how they impact the local economy. Their specific tasks are to identify appropriate businesses and to develop the script and photographs.

4. Resource Materials - the purpose is to work with the school system in developing and indexing appropriate resource materials available from the local business and industrial community. Their specific tasks are to list sources of material from the community, develop new sources of material, briefly describe the nature of the materials, and develop an index system covering location and availability of materials.

5. Speaker's Bureau - the purpose is to develop a listing of the human resources within the community who could assist teachers in a practical and realistic manner in teaching the Free Enterprise System in the classroom. Their specific tasks are to prepare a listing of topics for recommended grade levels, establish practical guidelines for the presentations, identify appropriate speakers on each topic and assist in making teachers aware of this resource.

6. Teacher Education - the purpose is to develop practical economics programs designed to provide teachers at the elementary and secondary levels with rudimentary economic skills. Their specific tasks are to define economics subjects for the programs, develop programs to disseminate the information with workshop sessions during staff development days and weekend or evening seminars.

Many accomplishments have been made in DEEP and two special programs stand out:

1. Mini Society - the students choose their own type of business to operate, make the product and sell it for a profit, i.e. - banker will design the money and make loans with interest. This is in the sixth grade.

2. Trade Offs - designed to train students in the fourth grade to make decisions. Almost everything is a trade-off, i.e. - deciding whether to go on a picnic with the family or getting a cone of ice cream with an uncle. Both are going on at the same time.

The 1981 White House Conference On Families

David C. Myhre

* * *

An informal session was held to discuss the possibility of financial counselors providing some input at the White House conference. This is a report of the discussion that took place.

The 1981 White House Conference On Families, according to the conference staff will be:

- An opportunity to focus on the needs, problems and strengths of American families;
- A chance to examine how private and public sector policies affect families in areas such as education, welfare, health, income maintenance and employment; and
- A process. A major goal of the conference's activities and recommendations is to spark a lively and ongoing national discussion of families: their concerns, challenges, future.

While reviewing the lists of topics that have been proposed to be addressed by the White House conference, the developers of the National Conference on Financial Counseling were concerned that very little emphasis was being placed on specific financial issues that are of concern to most American families. This workshop was planned to determine the views of others in financial counseling and to see if interest existed to develop a common effort to ensure that input from financial counselors could be made to the White House conference.

Much of the planning for the White House conference is scheduled to reflect the inputs from state conferences on the family. Many states are planning such conferences. Some states have already held theirs.

The consensus of our workshop participants was that financial issues and problems are critical issues for today's American families. The participants voiced the opinion that although the other issues were certainly of importance, to have any conference on families without addressing the financial and economic issues would result in an incomplete program. It was also generally agreed that since financial counselors are involved daily with financial crises and difficulties, that input from our field would be extremely valuable to the White House conference and to our states' conferences.

Many of the participants were unaware of either the White House or state conferences on families. While reactions were mixed, many participants were enthusiastic about getting involved in these activities.

An ad hoc group of participants met and developed a resolution to send to the planning staff of the White House conference. The

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resolution was read at the luncheon, Saturday, at our conference and was signed by many of the participants. It was then sent to the White House conference planning staff.

Our workshop participants generally agreed that if one were to ask families what their number one concerns were, they would mention financial issues. The consensus was that it was very important that we get involved in the planning and development of these conferences to ensure that these critical issues do not get overlooked.

Financial counselors do not presently have a national organization to represent their interests in national activities like the White House Conference on Families. Thus, the responsibility for participation in these types of activities falls on the individuals who recognize the value of such activities in policy-making decisions. What happens at the White House conference is likely to influence public and private policy decisions in the 1980's. It is an opportunity that financial counselors would do well to take advantage of.

The majority of workshop participants urged those who are interested in this activity to write the White House planning staff and state governors to make sure their views are known and represented. Following is the text of the resolution developed in the workshop.

RESOLUTION

of the National Conference on Financial Counseling

Inasmuch as research has proven financial problems to be a major cause of family disruption and divorce, and

Inasmuch as global and national economic trends indicate an increased probability of the occurrence of family financial problems in the present and near future, and

Inasmuch as conservation of energy and other resources will require knowledgeable participation by all Americans for personal and our national success,

The delegates to the National Conference on Financial Counseling recommend to the conference planning staff of the 1981 White House Conference on Families that the White House Conference address the following topics:

1. Consumer Economic Education

   The average American today is totally uneducated to cope in our sophisticated monetary society. An Adult Performance Study concluded that Americans are less capable in the area of financial management than in any other area of adult skill. This level of economic ignorance results in the current situation that finances are one of the major causes of family conflict today. We need to have more economic education to prevent this source of family conflict.

2. Federal Policy

Federal policies at all levels are established without any consideration of their impact on the American family. It can be said truthfully that the interests of the snail-darter (a small fish-like creature in Tennessee) are given more consideration in federal policy-making than are the interests of American families. As a result, many federal policies impact negatively on the economic security of families. The American family is the basic building block of our society. The integrity of our nation is only as sound as its foundation, the American family. A family impact statement should be required prior to the formulation of new federal policies and/or programs.

A. Taxation

The federal tax structure needs to be examined to address the following issues which affect the well-being of American families:

a) inflation pushing families into higher marginal tax brackets;
b) taxation on savings;
c) social security system taxes; and
d) tax inequities affecting dual-income families.

B. Energy

The effects on families' well-being of high and rising energy costs need to be examined.

The undersigned practitioners, administrators and educators in the field of financial counseling, encounter in our daily work the effects that financial mismanagement bring to the families with whom we work. We know that financial conflict is associated with family stress and crisis, child abuse, alcoholism, and a host of other undesirable social problems, including divorce. We also know, from our experience, that the process of family financial rehabilitation is associated with a reduction of antisocial behaviors and an increase in family solidarity. We believe that by making federal policy responsive to the best interests of American families, the quality of life in our nation could and would be improved.

We believe that through pro-family federal policies and expanded economic and financial management education, the incidence of family disruption and dissolution could be significantly reduced. We believe that the 1981 White House Conference on Families should include these topics on its agenda. We would welcome the opportunity to contribute to the conference.

Financial counselors are one of the most knowledgeable groups of professionals in the country in matters of family financial concern. We feel that lack of representation in the 1981 White House Conference on Families by members of our profession would result in a conference that is incomplete. Economic issues are THE primary problem facing American families today. We would be pleased to offer the expertise of financial counselors to contribute to your conference.

* * * *

You can indicate your interest in the Conference on Families by writing to:

Mr. James Guy Tucker, Chairperson
White House Conference on Families
Humphrey Building
200 Independence Ave., S.W.
Washington, D.C. 20201

also Contact your Governor's Office
about State Conferences on
Families.

FINANCIAL COUNSELING: INTERVIEWING SKILLS

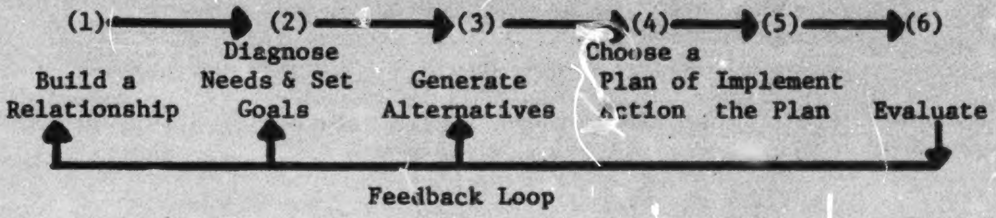
James L. Lee, Ph.D. and Charles J. Pulvino, Ph.D.

Both authors are Professors in the Counseling and Guidance Dept., The University of Wisconsin-Madison.

* * *

This article outlines a basic financial counseling sequential model and process interviewing skills. The material presented in this article is condensed from a book of the same title by the authors.

A Counseling Model


(1) Build a Relationship
(2) Diagnose Needs & Set Goals
(3) Generate Alternatives
(4) Choose a Plan of Action
(5) Implement the Plan
(6) Evaluate
Feedback Loop

Counseling is both science and art and consequently has characteristics of both. This chapter examines how these two variables, science and art, can be systematized allowing for both order and uniqueness. Six key steps will be highlighted. These steps are (1) building a relationship; (2) diagnosing needs and establishing goals; (3) generating alternative solutions; (4 & 5) choosing a plan for action; implementation of the action plan; and (6) evaluation. Each of these six steps are outlined below:

(1) Building a Relationship

The foundation of counseling is the interpersonal relationship between counselor and client. The relationship depends upon counselor skills in conveying a positive attitude to a client; awareness of the client's situation and mental state; and skill in conveying concern for the client in a helpful and beneficial way. The counseling relationship should be characterized by counselor friendliness, minimum threat, and responsiveness. In addition, the counseling relationship is dependent upon establishment of specific core dimensions: congruence, empathy, warmth, acceptance, and trust.

(a) congruence: Congruence is a counselor's consistency, genuineness, and honesty with him/herself and thus with the client.

(b) empathy: Empathy is the counselor's understanding of the client's problem as the client understands it, both intellectually and emotionally. Empathy also entails the counselor's accurate communication of his/her understanding to the client.

(c) warmth: Warmth describes the counselor's interpersonal caring for the client and is demonstrated by friendliness and consideration or genuine concern.

(d) acceptance: Acceptance is based upon the belief that clients are unique, changing, dynamic and growing systems. Counselors desirous of building a positive counseling relationship must acknowledge awareness of this fact and communicate their awareness and respect for clients' right to be who they are to clients.

(e) trust: Trust has two aspects. The first is a belief that clients can grow in positive directions; that they have the capability of overcoming difficulties in their lives; and that, given the right conditions, they will make positive strides toward achieving their personal potential. The second aspect of trust regards the trust clients develop for the counselor. This level of trust occurs when clients come to believe that counselors are working in their best interest.

In summary, the core dimensions demonstrate a counselor attitude of respect for clients and provide the basis for growth and development.

(2) Diagnosing Needs and Establishing Goals

(a) Diagnosis is a systematic attempt to understand clients and their situations and, as such goes through several phases: dealing with the presenting* concern; developing an awareness of the problem(s) and dealing with the real concern; and termination of diagnosis and development of goals.

(b) Goals and Objectives are the logical outcome of diagnosis. Goals are usually of two classes, process goals and outcome goals. Process goals are those held by the counselor to activate the clients' potential toward self-growth and are based on the previously discussed core conditions. Outcome goals are those which specify why clients have sought counseling help. The counselor's task is to help the client convert vague, ill-defined goals into achieveable, measurable, behaviorally specific ones. In this endeavor counselors should emphasize the following:

(1) Performance. A good objective says what a learner is expected to be able to do.

(2) Conditions. A good objective describes the conditions under which the performance is to occur.

A presenting problem or concern is one that the client presents as being the reason for seeking counseling or the major cause of the problem situation. A counselor may frequently see something else as the real problem.

(3) Criterion. A good objective describes the criterion of an acceptable performance by describing how well the learner must perform in order to be considered acceptable. (Mager, 1975, p. 21).

(3) Generating Alternative Solutions

Once diagnosis and goal establishment have been completed, generation of alternatives must be undertaken. Through "brainstorming" procedures all possible solutions should be generated. Counselors and clients should work together in this endeavor. Once alternatives are listed, counselors and clients should analyze them in light of diagnosed goals. The alternatives which are consistent with goals should then be viewed from the perspective of what must be done, how specific action should be initiated, when the best time to initiate action is, and who should be involved in each alternative.

(4 & 5) Choosing and Implementing a Plan of Action

Choosing and implementing a plan of action comprise two steps of the counseling process. They are condensed here for ease of explanation. Once an alternative or series of alternatives have been selected then they must be tried. At first, through simulation and/or role playing alternatives can be tried within counseling. Later, once the client has had an opportunity to develop necessary skills and confidence, alternatives must be attempted outside the counseling relationship.

(6) Evaluation

The final step in counseling is evaluation. In this regard, a counselor's first task is to help clients examine whether attempted alternatives have been successful. They can look at success from the perspective of process or outcome. From a process perspective, counselors would help clients focus on the steps actually taken to arrive at a solution for their concern. Outcome evaluation, by contrast, refers to whether or not planned change has occurred. A completely successful encounter would show that actions chosen by the client and reinforced by the counselor were effective, that needs had been satisfied, and that the client no longer needed services of the counselor.

It should be noted that the counseling process (outlined in the six steps above) can function without complete success because it is not linear in nature. Counseling can be retraced or re-enacted. Potential for growth remains as long as counselors and clients are willing to work toward it.

Listening and Exploring Skill Development

The Tracking skills of listening and exploring, as the name implies, are communicative techniques used to follow a client as he/she develops what is to be talked about during counseling. Tracking skills are especially effective during initial phases of interviews. They communicate acceptance, warmth, empathy and trust to clients while fostering clients' responsibility for what is to be discussed. Tracking skills also promote client self-exploration during diagnosis and goal setting.

When using tracking skills, the counselor focuses attention on three aspects of client communication.

Content: The specific words, story line, or stated intent of client communication.

Emotional Theme: The feelings underlying client communications - stated directly through the use of words depicting emotion or indirectly through tone of voice and non-verbal behavior.

Bid: An explicit or implicit attempt by clients to influence the counselor or seek assistance.

Counselors should listen for these three aspects of client communication and use four basic listening skills to communicate understanding, warmth, empathy and trust.

Attending: Counselors can use non-verbal and minimal verbal stimuli to communicate understanding and establish contact with clients. Non-verbally counselors attend by using appropriate eye contact, nodding their heads, leaning toward client, smiling, etc. Minimal verbal stimuli consists of words like: "uh-huh, hmmm, so..., go on," etc.

Restatement: The counselor repeats short client statements while emphasizing content, theme, bid, or some combination of the three.

Paraphrasing: The counselor attempts to repeat in his/her own words, the essential message of a client statement.

Summarization: The counselor summarizes in his/her own words, the essential content, theme and/or bid of long client statements. Summarization is also used to bring closure to a portion of an interview and provide structure for further discussion. It can also be used to bring closure to an individual counseling session. Finally, summarization of a past counseling session can be used to begin a current session.

There are three principles to keep in mind when using active listening responses. 1) The emotional theme is as important as content. 2) As a general rule, counselors should not respond directly to client bids. 3) Counselors should respond to the content or theme most directly related to the counseling issue or problem.

While active listening skills are used to build effective relationships and encourage client communication, Exploration Responses are used to diagnose and establish goals. There are three basic exploring skills:

Selective Restatement:	A listening response highlighting a portion of a client's statement encourages the client to talk more about the specific restated portion.
Declarative Statements:	The simple use of the declarative, "Tell me..." can be used by counselors to clarify meaning, encourage client verbalization or obtain additional information.
Questions:	While questions are natural and appropriate ways of exploring, they present two potential dangers. 1) The interview may take on characteristics of an interrogation with clients becoming defensive if questions are used frequently. 2) The counselor may become totally responsible for the counseling process, problem and/or solutions.

There are six kinds of questions prevalent in general communicative interaction.

True/False (Yes/No):

True/false questions are formed in such a way that the client can respond with a simple "yes or no." While true/false questions can be open leads they present several dangers:

1) They can be used to make statements in which desired answers are implied.
2) If either "yes or no" is socially more acceptable (clients believe that answering one way or the other will make themselves look better in the counselor's eyes) clients are likely to give that answer.

Multiple Choice:

This form of question usually provides the client with a number of alternatives. While multiple choice questions can lead to client exploration, they have the same dangers as true/false questions.

Dilemma:

A question which poses two alternatives in such a way that:
1) no matter how the client answers he may be wrong, or
2) poses two alternatives neither of which the client wants.

Factual:

Questions which attempt to obtain information verifiable outside the counseling relationship: name, address, telephone number, place of work, marital status, sources of income, etc.

Procedural:

Questions which, by their formulation, demand further explanation of the issue(s) under discussion. They usually begin with the interrogatives: who, what, where, when, how and why. Why questions tend to make clients defensive, so should be used judiciously.

Statement or Emotional Expression:

This form of question follows a procedural question format and is frequently used to make a strong emotional statement about a situation. No response to the statement is expected.

The most appropriate question format for exploring in counseling is the procedural question.

Listening and exploring skills are used to establish an effective relationship characterized by warmth, acceptance, empathy and trust. They also are used to begin diagnosis of counseling issues and/or problems and establish goals for the relationship.

Focusing Skills

Focusing skills are used to help clients relate topics under discussion to primary counseling concerns or to underlying emotional themes. Through the use of focusing skills counselors help clients deal with specific aspects of themselves and take responsibility for themselves during the counseling process. Focusing skills also deal with the counseling relationship using that relationship to bring about client change and/or growth. The basic focusing skills are:

1. Utilizing the first and second person singular in responses rather than the third person or impersonal pronoun you.

2. Utilizing present tense verbs rather than past tense verbs in responses.

3. Identifying and clarifying ambiguous words and phrases.

4. Confrontation of inconsistencies and ambivalences.

Focusing skills are applied during the Diagnosis and Goal Setting, Generation of Alternatives, Solution Selection and Implementation stages of counseling. By using focusing skills, counselors can maintain the communicative interaction on counseling issue(s) and/or underlying emotional themes. Although there are a wide variety of potential counseling goals and issues there are eight basic emotional themes common in financial counseling.

1. Clients may feel unique or different for having financial problems.

2. Clients may generalize anxiety about financial issues to a pervasive anxiety about everything in life.

3. Clients may be depressed about their financial concerns.

4. Clients may experience general confusion about their ability to solve financial problems.

5. Clients may have unrealistic financial goals or an unrealistic view of the world.

6. Clients may feel inadequate to solve their financial problems.

7. Clients may be frustrated with themselves and/or others related to their financial situation.

8. Clients often believe that change is beyond their control.

In addition to focusing counseling interaction on issues and underlying emotional themes, counselors can help clients add detail to their personal mapping structure by clarifying ambiguity. When counselors help clients add detail to their mapping structures they increase client freedom of choice. Listening for and clarifying ambiguous words and phrases is the basis for adding detail to client mapping structures. Some typical ambiguous words and/or phrases would include:

I have a problem

I'm in trouble

Bills

Payments

People

Things

Everybody

Money

Men or Women

We'll do okay

Others

Make ends meet

Finally, counselors can confront discrepancies and distortions in client communication and behavior as a way of increasing responsibility and movement toward problem resolution. Common client discrepancies and distortions include:

1. Expressed or implied ambivalent feelings occur when clients express two conflicting feelings verbally and/or nonverbally.

2. Clients may state or imply logical inconsistencies.

3. Clients may justify their own behavior by blaming others.

4. Clients may develop unrealistic goals given their financial situation.

5. Clients may translate their wants into needs as a way of justifying their goals or behavior.

6. Clients may explain their present behavior by implying and attributing causation to someone else.

7. Clients may use a passive expression such as, "you make me mad!" putting responsibility for their emotions on others.

8. Clients may overgeneralize about their situation in a manner which limits their own freedom.

Counselor use of focusing skills helps clients add detail to personal mapping structures and increase freedom of choice. When clients' freedom of choice is increased they can take additional responsibility for themselves.

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GROUP FINANCIAL COUNSELING TECHNIQUES

Gregory Seivert

Financial Counselor, Family Service of the Greater Saint Paul Area.

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- IV. Money Game Exercise
- V. Conclusion and Discussion

In today's session of group financial counseling techniques, there are a number of areas I would like to cover. First, I would like to provide you with a description of what Family Service of the Greater St. Paul Area does in the financial counseling area. Secondly, I would like to talk about a group financial counseling model that is used at the agency. Third, I want to talk about some group techniques that are used in that model and more importantly, have a chance to practice one technique that is particularly effective and enjoyable and also have a chance for some discussion after that.

In attending other sessions and listening to other speakers, I have heard a theme that has been repeated throughout the conference, and that has been the exploring of the definition of financial counseling. I am seeing a lot of people doing different kinds of things in the field and think it is really important for you to have a sense of what my agency and I do in the area of financial counseling, so you can see if this approach is applicable to your agency.

Family Service of St. Paul does counseling in a number of areas: Chemical dependency, family counseling, services to seniors and the financial counseling program. In the financial counseling program, there are a number of services offered. One such service is the debt prorating program where we attempt to assist the clients in repaying their bills. Secondly, there is the budget counseling where we attempt to give clients concrete, factual data about their financial situation to facilitate the decision making process. Also, we try to provide education or learning activities so that people can learn different kinds of skills and can learn about different areas of consumer education. Most importantly, and included in debt prorating, budget counseling and educational services, is counseling.

We have heard earlier in this conference how frequently money and the financial situation in the arena in which other marital or family issues are played out. Money and money behavior becomes a kind of systematic factor of what's going on in families. Also, I think in our individual work, we have seen where clients, even after debt prorating has been successful, or when they have been taught some new skills, continue the same kinds of self-defeating spending patterns, the same kind of abusive use of credit. We see that even with learning and teaching, there is no impact unless, somehow, we get at the conflicts and stress areas that are happening beneath the money behavior. We then go beyond the money behavior. In the counseling aspect of the program, we look at money as a concrete symptom of things that are going on in the family, things that are going on in a marriage. We use this as a concrete way of getting into the family system, of looking at what's going on, and providing some possibility or opportunity for change in that pattern. Through a change in that underlying pattern, there is an opportunity for learning the use of the skills that are taught in budgeting and money use.

One of the ways we attempt to get at the family system, to attempt to get at underlying patterns of money use, is through group financial counseling. Family Service of St. Paul has done a number of financial counseling groups. Some have been primarily educational in nature—teaching in schools, working with consumer groups, or working with different companies. There have been other kinds of groups where we have had an educational component as well as a counseling component. One such group was working with the Half Way House in terms of helping women learn financial skills as they re-enter the world after treatment, and also to give them an understanding of the money spent for their chemical abuse. There have been some special difficulties in working with clients in financial counseling situations, which are really accentuated when running a financial counseling group. We have encountered 3 types of difficulties.

One is that recruitment is a real problem. A lot of times people will come in for individual sessions but somehow in a group people are reluctant. We have used different methods of trying to recruit people, such as advertising and seeking referrals from both community and other counselors, but find it generally ineffective.

Second, there is a real problem with commitment. I have encountered this quite a lot in individual sessions. Commitment is even more important in a group situation because you have other members depending upon everybody being there. Many people do not want to make a commitment for 6 to 8 weeks, or whatever time period is set for the group.

Third is the general unwillingness to deal with the emotional component of money use. Somehow, it is more comfortable to deal with information about credit, information on how to pay off bills. Those topics are addressed rather than looking at the emotional conflicts that are going on inside a client or within a marriage. This is accentuated in a group situation. With the group financial model, we attempt to get at those three areas as well as meet some of the needs that we see in a group. With many clients we see, there is a predominant feeling of shame, a sense of isolation and aloneness, and they feel cut off, as they isolate themselves from creditors and from other friends because of the embarrassment about being in debt.

Also, we try to give clients a chance to enhance their communication styles and communication process, for this in itself can be a real cause for getting in debt and for staying in debt. The way the couple communicates about money is addressed as well as other issues. Also, with group financial counseling we hope to facilitate the exploration of emotional issues that makes it difficult to communicate, make it difficult to reach out and get support in this important area. Being aware of these crucial kinds of issues and some of the pain and loneliness of clients, and at the same time being unable to get clients to make a commitment or even come to the group to deal with these areas can be very frustrating for the counselor. With this group model we begin to employ some different kinds of mechanics to pull people in the group together to ensure the success of the group.

One of the things we did differently was, instead of advertising for clients in the community or with other agencies, we recruited them directly from our caseload. We have a constant stream of clients coming in for individual appointments and after one or two sessions, we made an assessment of the individual or couple. We then decided whether they would be appropriate for a group. We found that recruiting them directly from our caseload was very, very effective. Some of the characteristics we looked for in that first and second interview which helped make the group successful were first, that there was some kind of a stable marital relationship; that somehow this couple was going to stick in the marriage; that there was not a divorce or separation in process. Second, we looked for the potential to stabilize the financial situation. Essentially, we wanted to have them make some kind of a financial decision; select some of the alternatives necessary to stabilize their condition so that we could deal with some of the underlying problems in the group. Also, we had to have a sense that there was a willingness and a commitment to work on some of the marital issues.

Essentially, the counselor's role in the first and second session was to persuade and convince the clients that this would be helpful to them; to help them get in touch with some of their pain and loneliness; to give them a sense of hope that this group situation could give them some new things to learn; to give them an opportunity to meet other people in similar situations and to make some real concrete kind of changes. Also, because I know some clients feel like they can get swallowed up in a group, we did have the option that before each session, some of the group members could schedule individual sessions. Primarily what we planned was that they were going to deal with most of the therapeutic issues in the group and were not going to have a whole lot of individual sessions. The only individual sessions used would be for some kind of a crisis or some kinds of budgetary decisions. Anything that pertained to the group would have to be dealt with in the group.

Generally, we found that this kind of structure was very helpful. We set up a 6 week group, an hour-and-a-half each week, with hours before-hand available to clients when they wanted it. They could set up an appointment with the appropriate counselor. There was one flaw, I think, and that was basically that we did not allow enough time. If we made any changes we would extend the group to 8 weeks, and cover the same material, but do it on a less intense or less concentrated fashion, allowing more time on each topic. That suggestion came from the clients themselves--they were feeling the need to have more time. In a sense they had a need to be there; they were really willing to explore some of the emotional issues and they have continued in counseling since their dealing with other marital difficulties. The model seemed to be really effective. There were some specific things which facilitated breaking the avoidance patterns that are found in family situations and which also break through the taboo of expressing emotionality. This brings me to talking about some of the techniques that facilitated those changes.

One thing I am aware of when I talk about techniques is that they are, in a sense, specific tools for getting a client from point A to point B; for bridging the gap between behavior and the awareness of underlying issues. Tools in themselves can be constructive or destructive. What is important when you look at the techniques that are in the group model, or when you are constructing your own techniques, is that you have a clear intention or purpose for their use, because techniques by themselves cannot be helpful. They can only be helpful when you, the counselor, have an idea for their use and an exact purpose that you are wanting to use them for.

In terms of this group model and some of my thinking about my use of techniques, I delineated four purposes I have for the use of group techniques in financial counseling. One is to get at the emotive content of the use of money. So often the money-use behavior is at one level and the client is unaware at other levels of what's happening--the consequences of the behavior, what the behavior is doing to them, what emotional consequences are and what the causal factors are. Any technique which connects behavior and feelings--the money use and the feeling behind it--is important to me.

Another purpose I have for using a technique is to get at the family rules about money. When talking about family rules, I am looking at money use in the family system's approach. I am saying that there are some kinds of rules or ways of doing things which are unwritten, not spoken about, but are taught to family members. Because of their hidden nature, these family rules about money use are constantly operating, but operating in the background. People are not aware of them and they are handed down generation through generation. It is notable that families and children of the same families will have similar kinds of difficulties with money. What is important in this technique, that gets at family rules around money use, is that it takes the implicit and makes it explicit. It gives families and couples some additional information, hidden information, about their money use and makes it clear so that they have a chance to make a decision about it. They then begin to be able to make some changes once it becomes explicit, once it becomes clear.

A third purpose, which is similar to family rules around money, is to explore family rules about relationships. Besides rules around money use, there are also rules about how people relate to each other--how men and women interact; how families interact--and that all gets played out in the money arena also. While we are seeing a lot of clients with marital difficulties acted out in money terms, it is also important to get at and make explicit those rules, those ways of being in families, that are operating; that are having an effect; that are there.

Another prime purpose or reason for using a technique is to explore, or lay bare, the functional and dysfunctional communication processes that go on in the marital relationship or in the family. Money is used so often as a way of communicating between the marital partners, or between parents and children, that it is very important that the way of communicating, the way of expression is talked about, is shared. Any techniques which enhance that sharing are used. Those are the basic four purposes I have found for the use of techniques--for getting at the emotive content of money use, getting at the family rules about money, exposing family rules about relationships, and laying bare or exposing dysfunctional and functional communication processes.

From our group model, I have pulled five different techniques I would like to present. I would like to give a short description of each one and then it will be important, I think, to experience and to take a look at one technique in particular. One technique that is found in the group model, in Session II, is Fantasy situations. Often times, because of the difficulty that a client has in saying "Well, this is the way I am feeling in the situation," or "This is the way it is for me," it's easier to talk about a fantasy situation, kind of like a "what if" situation. Thus, a client may say "Well, if I were in the situation I would feel such and such a way. I would feel lonely and depressed and ashamed or very embarrassed or guilty." This gives the clients an escape clause. It gets them into talking about some possible feelings they are having, gives the counselor a hint of what is going on. Also, the counselor can then tie that situation into real life. The fantasy situation becomes a half way point. It is a real clear tool between taking a client from an unrealistic way of feeling or unrealistic way of being with his or her feelings about money use, putting it in a fantasy (safe) situation, and then tying it into reality.

A second technique used in the group model, found in Session III, is called the Fishbowl Communication Exercise. Basically this is, I think, a very powerful technique. Prior to the use of this technique, we have taught the group members some basic communication skills, listening and disclosing types of skills, and then we try and put it into a more powerful arena. That is what the Fishbowl Communication is. Basically, what happens is that a couple is asked to share an issue--an issue that has either come up in the group or an issue that is ongoing outside of the group--using self disclosing and listening skills, without any need to resolve the problem, since the focus is on the process itself. What happens is that the rest of the group enters into a circle around the two people to listen to that process. After the two have had some time to interact, the group members will comment on the process of what is going on in terms of what they saw, in terms of communication style, in terms of the listening skills that they see the couple practicing. Also, what happens is that people who are observing can start identifying with different kinds of couples. Their issues start coming out. The couple in the center have a real opportunity to get feedback about their communication style, and to get some support. People in the outer ring have a chance to see that they aren't alone, that the situation is similar to their own. The counselors also can see a two-level process unfolding. There is the couple in the center who are going through their process, but in the outer ring, couples are identifying with one or both of the participants in the center. You can see where some of their issues are similar, or different, and begin to see how the couples in the outer ring are also progressing.

I think it is very important in using this technique to discuss it in the group and talk about what it would be like, and have a sense that in the group there is cohesion, a sense of safety, and that people are comfortable with each other. If the group decides to go through with this technique or is amenable to this technique, I think it is a good sign that you have some of the basic ingredients going on in the group. If it does not happen, you need to check to see what this group is needing to feel safer with each other.

A third technique that is used in this model is called Getting at Family Rules. This is in Session IV. This is basically a series of incomplete sentences which the group members are asked to complete as if their mother or their father had stated them. Now in the group model, there are five examples such as, "Credit is . . .", "Privacy is . . ." In that session we had about a page for each response, and we found clients wondering about things so we left it open because I think, depending upon the nature of your group and type of things you are getting at, you may have some different kinds of sentence completion. Basically, what the purpose is, is to get them to start thinking about some of their rules; start saying concretely what some of those unspoken rules are. We found this to be an enjoyable exercise.

The fourth technique used is the one that we will be doing later on in the session, called The Money Game. The purpose of this technique is to make some sort of connection between money and feelings. This technique is very effective. It gets at some of the giving and receiving kinds of things. It is basically a money exchanging exercise where money transactions are made real. The clients are divided into small groups and it is a real lively exercise. It is a good exercise for the beginning of groups, for building group cohesiveness. It is enjoyable to watch, also enjoyable to do. It can be helpful at the beginning of the session, in that it allows the counselor to see different kinds of reactions to money use. You get all kinds of hints, suggestions of feelings and behaviors that are going on in couples that you can link up later on, so it provides a good profile, I think.

The fifth technique I have pulled out from the model is called the Family Priorities Exercise, which is used in Session V. Basically, what this gets at is the decision making process. By the time this technique is used in this model, the clients will have had some training in communication, will be somewhat aware of the way they communicate, and will have some sense of how they learned this from their families. This exercise reveals concretely the nature of making individual choices about economic and emotional goals for each marriage partner. It also enables some choice of future goals for each individual, and the couple then has to negotiate an agreement on goals.

When you take their 2 lists of priorities and combine them in this technique, they get to practice their new communication skills. Also, the counselor gets a chance to see how the decision making process goes on--who gives in; who has priority; who has the power in this situation. Also, you have a chance to see how concrete the changes have been in their use of communication skills.

You will find these 5 techniques in this model. You will also find others in this model, and the way I would use these techniques. You may want to use them directly the way they are in this model, but most likely you will want to adapt them--change the tool so it fits more precisely your specific group situation, your personal style and approach, and your needs in the counseling situation. The techniques must be comfortable for you and your clients and, most importantly, must be congruent with your specific purpose and the specific structure of your financial counseling group.

Group Financial Counseling Model

Session I: Money and Emotions

HANDOUT

I. Introduction

A. Names

Each group member introduces himself to the group sharing some information about himself such as: why they are in the group, their interests and work.

B. Overview and Purpose of the Group

1. The facilitators provide an outline of the themes as areas to be dealt with in the group
2. The structure of the group is discussed which includes the mechanics and purpose of individual sessions, group sessions and housekeeping tasks.

II. Group Expectations Exercise

A. Purpose

To elicit and create a list of individual hopes for the group experience.

B. Procedure

Each group member is asked to share what his/her hopes are for the group and what they expect the experience to be like. A list is made up on a blackboard or large pad of all members expectations. The facilitators respond to the list expressing whether the hopes can be met or not and then express their own hopes for the group.

C. Guidelines for group interaction

Facilitators share how it is important for group members to participate as fully as possible in the group, have a commitment to be at each session on time and attend each session. Then facilitators give three guidelines for enhancing and practicing communication in the group.

1. Each person speaks for himself
2. One person speaks at a time
3. Each group member should listen well enough to be able to repeat what the other person said.

III. Money Exchange Exercise

A. Purpose

To emphasize and explore the relationship between money and emotions

B. Money Exchange Exercise

Purpose:

To get people to think about their feelings in relation to money; especially in the area of giving and receiving

Time:

Depends on group size; 12 people, approximately 30 minutes

Who:

Good as an ice breaker; especially effective with groups dealing with parent/child relations

Procedure:

Step 1:

Have each individual take out all their change (no bills). (If they have none that's fine). Ask them to:

Think about how they deal with money
Look at and feel it
To experience the feeling or lack of it that they have surrounding money

Step 2:

Divide into groups of 4 or 5

Step 3:

State Rules

#1 All money transactions are for real and money will not be returned
#2 No one has to give anyone any money at any time
#3 One must accept money given to them
#4 Exchange money within group only
#5 Stop immediately when facilitator says to 'stop'
#6 NO TALKING during exchange

Step 4:

Tell groups to 'start' - go for about 4 minutes and give no warning when you say 'stop'

Step 5:

Have all those who ended with less than they started with stand up

Have each individual respond with how they feel about ending with less. Encourage feeling statements not thinking statements

Step 6:

Same as (5) for all who broke even

Step 7:

Same as (5) for all who ended ahead. (This is usually the most uncomfortable group) (Why?)

Step 8:

Ask for general feeling, feedback or reactions

SESSION II: SELF AWARENESS AND COMMUNICATION SKILLS

Purpose:

1. To enable group members to identify and distinguish among thoughts, feelings, and desires
2. To enable group members to begin to communicate, disclosing these three levels of awareness

Procedure:

1. Give mini-lecture on the differences between thoughts, feelings, and desires. Pass out written handouts pertinent to this material.
2. Group Exercise:

   Ask each group member to "think of something you wanted to spend money on within the past week" and answer the following questions about this:

   What did you feel (about spending the money)? desire? think? What did you end up doing? Have each group member answer these questions aloud in the group. This leads to a group discussion of how behavior is affected/determined by desires, feelings, and thoughts.
3. Review communication guidelines for the group that were laid out in Session I.
4. Give mini-lecture on topic of useful ways to communicate awareness to spouse. Pass out written handouts pertinent to this material.
5. Group Exercise:

   Have group break into couples and tell each other "One thing I like about you is . . . ." "One thing I want from you is . . . ." The spouse not talking is instructed to respond only to clarify the sender's messages; i.e. "What you mean is . . . ." "What you feel is . . . ." This exercise is first modelled by group leaders.
6. General group discussion and wrap-up. Ask the question, "What was it like for you doing this exercise?"

SESSION III: LISTENING SKILLS

Purpose:

To enable group members to identify listening skills, and to practice using them.

Procedure:

1. Since we are half way through group sessions, ask group members for feedback regarding their experience of being in the group so far and how it is affecting life at home.

2. Give mini-lecture on listening skills and pass out relevant written material on this topic.

3. Have group members share "what my spouse is doing, verbally and nonverbally, when I feel that she/he is really listening to me." These are listed on a blackboard or large pad. The question is also asked: "What times are best to approach my spouse if I want to be listened to?"

4. "Fishbowl" Exercise:

   To practice listening and disclosing skills. Ask group members if they would feel comfortable discussing some issue as a couple, in the group setting. If members agree that they would, proceed with exercise as follows:

   One couple volunteers to begin. Group forms a circle around this couple. The couples who aren't discussing are to observe and, after the couple is through, give feedback about the process they saw happening. If there isn't time for all couples to be in the center, continue with other couples next session.

5. Give "homework"

   To continue practicing disclosing and listening skills at home during the week.

SESSION IV: CONTINUATION OF COMMUNICATION SKILLS/FAMILY RULES

Purpose:

1. To continue practicing listening and disclosure skills
2. To introduce the idea of family rules; to help group members see how their families' unwritten rules have affected their current values; to help group members look at unwritten rules in their current families; to help couples see how their different backgrounds affect their marriage and financial behavior.

Procedure:

1. Discuss results of homework assigned at last session
2. Continue "Fishbowl" exercise with couples who haven't yet been in the center. Topics to encourage members to focus on are patterns of fighting and how debt affects their relationship
3. Toward end of session, give mini-lecture on family rules. Pass out pertinent written material
4. Present exercise to do for next session, which is a list of sentence completions.

   For example:

   "credit is . . . . "
   "privacy is . . . . . . "
   "budgeting is . . . . . "
   "achievement is . . . . "

   Members are to complete each sentence as their mother and father would have completed it (suggest to members to pretend you are a kid again and imagine what parents would have said about each topic). Members then complete each sentence for themselves. Spouses should do this separately and then share with each other. Have members pay attention to:

   1. Who they got most of their rules from
   2. How were the rules communicated (verbally, nonverbally, etc.)
   3. What the persons got out of having the rules (power, control, peace, affection, etc.)

I. Review and discussion of Family Rules

A. Purpose

To respond to questions members might have about homework reading material and also to elaborate on the material giving examples of what family rules are

B. Procedure

Facilitator gives an explanation of the nature of family rules, how they are made, enforced and changed. Then group members are encouraged to respond to the exercise and the presentation. Group members are then encouraged to come up with some of their own family rules which still may be affecting them

II. Budgeting

A. Purpose

To give group members some information about the budget, what it is and why it can be helpful

B. Procedure

Facilitator describes how budget can be helpful and what makes it effective. Also discussion is encouraged around feelings about budgeting

1. Why use a budget
    a. Budget leads to financial control
    b. Control reduces uncertainity
    c. Reduced uncertainity leads to reduced anxiety
    d. Reduced anxiety leads to reduction in compulsive behaviors
    e. Reduction in compulsive financial behaviors results in realization of life choices
2. Budgets must be:
    a. flexible
    b. comprehensive
    c. realistic
    d. clearly and muturally understood

III. Family Priorities

A. Purpose

To clarify individual and family financial goals and to give couples a chance to practice disclosing and listening skills

B. Procedure

This exercise is to be given as homework to be done before the next session. In the coming week, each partner is to make an individual list of financial and other goals for the immediate future and another list of goals they would like to accomplish in five years. The couple then selects a time to share their lists with each other. In sharing each spouse shares their entire list before the other person shares his list. The listener is to use listening skills to really hear his spouse. This is repeated for the other spouse as well. Then the couple is to attempt to create a list for them as a couple continuing to employ the disclosing and listening skills.

SESSION VI: CLOSURE

I. Discussion of Homework on Family Priorities

A. Purpose

To explore how the communication was handled in the exercise

B. Procedure

Facilitators encourage discussion about how the exercise felt and how the couples experienced each other. The facilitator might want to note how the continued list of priorities emerged. Was it difficult? Did one spouse give up more? What were the feelings about compromising?

II. Evaluation of Group

A. Purpose

To get concrete feedback in a systematized fashion about group members' feelings regarding the group experience

B. Procedure

Facilitators hand out evaluation forms and group members are asked to fill them out individually during the group. When completed, the forms are given back to the facilitators before the end of the session.

III. Termination

A. Purpose

To encourage members to share feedback about each other, the group and the feelings of leaving the group

B. Procedure

One of the group facilitators shares his/her feelings about this group experience and then asks for others' feelings about termination

C. Discussion

NATIONAL FOUNDATION FOR CONSUMER CREDIT: COUNSELOR CERTIFICATION PROGRAM

Al Horner

President and General Manager, Michigan Credit Counseling Services, Inc.
Chairman, Counselor Certification Committee, NFCC

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Objectives of the Counselor Certification Program

To raise the professional standards and improve the practice of consumer credit counseling and debt management by giving special recognition to those Consumer Credit Counselors who, by passing suitable examinations and fulfilling prescribed standards of performance and conduct, have demonstrated a high level of competence and ethical fitness for the field of family financial counseling.

To identify persons with adequate knowledge of the principles and procedures of consumer credit counseling, related disciplines, and laws governing and affecting debt management.

To encourage Consumer Credit Counselors in a continuing program of personal development.

Administration

A. Responsibility for administering the program rests with the National Certification Board, the members of which are made up of educators at the college and university level and whose activities relate to family counseling, and of other individuals who would be known as leaders in their field. The President of the Foundation and one active Director of a nonprofit consumer counseling service who has been certified will also be members of the National Certification Board.

B. The Certification Program was initially established at Virginia Polytechnic and State University under the direction of Dr. Ruth Harris. The seat of the Certification Program may be changed from time to time.

C. Certification examinations will be conducted at a university or other appropriate place selected by the National Certification Board. An educator or testing expert or agency, as deemed appropriate by the National Certification Board, will administer the written part of the examination. The oral part of the examination will be given by a Team of Examiners, the members of which have been certified. There will be three examiners for the oral test.

D. The President of the National Foundation for Consumer Credit or his designee shall serve as Certification Secretary and be responsible for the details of the program.

E. The criteria for candidates' certification are to be established by the National Certification Board.

F. All testing instruments are to be approved by the National Certification Board.

G. The National Certification Board has no intention whatever to determine who shall engage in consumer credit counseling. That a counselor is not certified does not indicate that the person is unqualified to practice consumer credit counseling, only that such person has not fulfilled the requirements for the National Foundation for Consumer Credit "Counselor Certification Program" or applied for the recognition.

Eligibility

A. Because of the experimental nature of the Credit Counselor Certification Program, it is the intention of the National Certification Board to limit applicants to present employees of nonprofit consumer credit counseling services. After the experimental phase the National Certification Board will determine what other persons would be considered eligible to sit for the certification examination.

B. During the initial phase, at least 3,000 hours (2 years full-time) of nonprofit family financial counseling are required to be eligible for certification.

C. Applicants must submit a statement by the Director or Officer where employed as a counselor confirming that applicant has demonstrated competence as a counselor and has completed the basic eligibility requirements.

Procedures

A. Application forms may be obtained from and filed with the Certification Secretary at any time.

B. After the Certification Secretary has found the application in order and the prerequisites have been verified, a study guide will be sent to help applicants prepare for the tests. A minimum of ninety (90) days should be allowed for preparation before taking the examination. Applicant will notify the Certification Secretary when he or she is ready to take the examination.

C. The examination will take 1½ days of which one hour will be oral.

D. The written examination will deal with such subjects as:

1. Understanding the Economics of Credit
2. Family Management and Budgeting
3. Counseling Techniques
4. Client - Counselor Relationships
5. Counselor - Creditor Relationships
6. Relationships with Community Agencies
7. Understanding Human Behavior
8. Professional Growth and Development
9. Professional Ethics

E. Certification is of an individual - not an agency. The individual should see the value of taking the examination and paying the fee. The counseling agency may want to reimburse an individual who successfully completes certification requirements. Each applicant is responsible for travel and out-of-pocket expenses.

F. The results of the examination will be scored by the Certification Board or persons designated by the Board.

G. Detailed results of the examination will be kept confidential by all involved in the certification process. The National Foundation for Consumer Credit membership and other interested persons will be advised of the names of the candidates who have fulfilled requirements for certification.

H. A candidate who fails the written and/or oral examination may be re-examined at a subsequent examination. Only those categories of the examination that were not passed will have to be taken over.

I. Not less than five nor more than ten oral and written examinations will be administered by an examining team at one time.

J. A certificate of recognition will be awarded by the National Certification Board to those Consumer Credit Counselors who have successfully completed the certification examination and requirements.

Required Body of Knowledge

The effective practice of consumer credit counseling and debt management requires in depth knowledge of a wide variety of subjects. For certification purposes, however, the candidate must demonstrate to the satisfaction of the National Certification Board a knowledge of and ability to apply the essentials of consumer credit counseling and debt management as described in paragraph "D" in the section on Procedures. The examination questions will be based on concepts and experiences basic to effective consumer credit counseling and debt management, on recognized texts, and on supplemental reading.

To aid candidates in preparing for the examination, the Certification Board will prepare and make available a study guide.

Fees

To offset part of the cost of administering the Certification Program, a fee of $200 will be charged. A $50 deposit which is part of the $200 will be required at the time of filing application. The remaining $150 is payable upon notifying the Certification Secretary that applicant will sit for the next scheduled examination.

For each re-examination, a fee of $200 will be charged.

Maintaining Certification

The continuing education of counselors is essential to enable them to cope with rapidly changing conditions. Therefore, to remain certified a counselor must accumulate fifteen professional credits each five years, and must perform a minimum of five counseling interviews each year.

Each Certified Consumer Credit Counselor reaches recertification date five years from the date of certification which is the date appearing on the certificate attesting to certification.

Certified Consumer Credit Counselor Standards of Conduct

The code of Standards of Conduct for Certified Consumer Credit Counselors certified by the National Foundation for Consumer Credit has been adopted to promote and maintain the highest standards of consumer credit counseling service and personal conduct among Certified Consumer Credit Counselors. Adherence to these standards is required for membership in the Foundation, and serves to assure public confidence in the integrity and service of Certified Consumer Credit Counselors.

As a Certified Consumer Credit Counselor certified by the National Foundation for Consumer Credit, I pledge myself to:

1. Provide confidential and professional counseling and to maintain the privacy of client records disclosing only information necessary to the creditors of clients to secure their cooperation in a debt management plan.

2. Aid and rehabilitate financially distressed families and individuals regardless of race, creed, national origin, color, sex, social position or financial status.
3. Foster community consumer education on family money management, budgeting, and the intelligent use of credit.
4. Adhere to the Code of Ethics, Policies and Guidelines established by the National Foundation for Consumer Credit.
5. Treat all clients and creditors impartially and to provide no special privileges to any client or creditor except with the knowledge and consent of my counseling agency's board of trustees.
6. Neither engage in, nor countenance, any exploitation of my counseling agency or profession.
7. Recognize and discharge my responsibility to uphold all laws and regulations relating to my counseling activities.
8. Exercise and insist on sound business principles in the conduct of the affairs of my counseling activities.
9. Use only legal and ethical means if I should seek to influence legislation or regulation.
10. Issue no false or misleading statements to the public.
11. Accept my responsibility for cooperating in every reasonable and proper way with other nonprofit counseling and government agencies.
12. Utilize every opportunity to improve public understanding of the principles of nonprofit consumer credit counseling.
13. Maintain high standards of personal conduct.

Use of CCCC Designation

As a Certified Consumer Credit Counselor (CCCC), the counselor may use the CCCC designation on letterheads, correspondence and business cards. Certification is for individuals only. The CCCC designation may not be used to imply that a counseling agency or firm is certified.

Suspension or Revocation of Certification

A. If the Consumer Credit Counselor does not accumulate the required professional credits through continuing education programs, certification shall terminate, unless the counselor requests a hearing and in the judgment of the National Certification Board, extenuating circumstances exist and the deficiency can be readily overcome.

B. For failure to abide by the NFCC Standards of Conduct, Code of Ethics, Policies and Guidelines, certification may be revoked provided the Consumer Credit Counselor is offered a hearing of the National Certification Board and notified of the views of the complainant and of the hearing date and location. This notice shall be given in writing at least thirty days in advance of the hearing.

C. If a Certified Consumer Credit Counselor should leave the profession and then return, to obtain recertification a written request must be submitted to the Certification Secretary. It shall then be the prerogative of the National Certification Board to set forth what, if any, professional points would be required for recertification, or the Board may elect to have the Counselor retake the examination.

FINANCIAL PROBLEMS AS STRESS AND CRISIS

Dr. Michael J. Sporakowski

Virginia Polytechnic Institute and State University

* * *

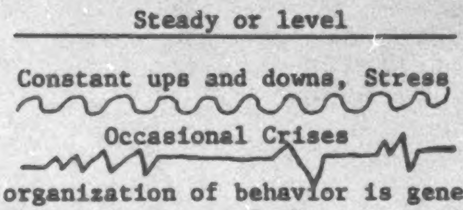
There is an often quoted idea that sex and money are the two most frequently presented problems in a marriage counselor's office. This is likely to be so for a variety of reasons. As problem areas, both frequently result from a combination of: ignorance or lack of information; differing attitudes, values and expectations; sensitive feelings; difficulties in interpersonal communication; and factors external to the individuals or relationships that result in a feeling of helplessness or lack of control. Our focus here will be on the money aspect of the above discussion, even though you may be at least as interested in the sex aspect.

It is significant to note that financial problems and their relationship to stress-related illnesses have been documented for quite some time. One of the first studies to illustrate this intertwining was done in 1967 by a psychiatrist by the name of Holmes. He and his colleagues developed a list of 43 items that were used to predict the likelihood of major illnesses. Of those items, at least six had obvious relevance to money matters, e.g. change in financial state, foreclosure on a mortgage or loan. Many of the others had implications for financial stresses, e.g. trouble with boss, change to different line of work, marital separation. If a person had experienced enough of the stresses and crises on Holmes' list during a two-year period he or she had an 80% chance of having a major medical problem. The conclusion that this author hopes you will draw from this material is that even though problems may be primarily financial in nature they may have implications for functioning in other areas, just as the reverse might also be true.

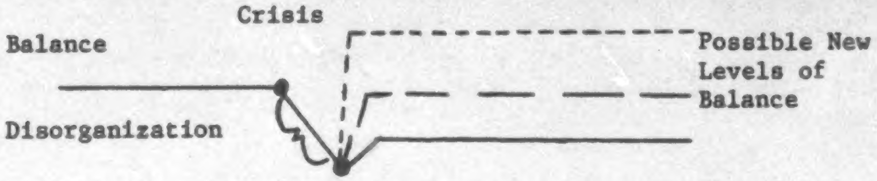
It is important to recognize, too, that the effects of stress and crisis can be complex and not easily identifiable. Sometimes complaints about no money really are related to not being loved or a low self concept. Many of us find our ideas about ourselves, our feelings of self-worth, closely tied to how much we are worth in terms of dollars. Cars, clothes and housing are several of the outward and visible signs of our self concept. Going into debt to "prove we are worth something" is not an unusual problem. Similarly, sometimes a person will withhold his or her affection by forcing a spouse or child to be economically overdependent, or by taking away control over financial matters. Because of that it is important for the financial counselor to be more than simply a money manager. This does not mean the counselor should be a psychotherapist or be "everything to everybody," but it does imply that a solid understanding of human behavior can help facilitate the counselor-client interactions and assist in making appropriate referrals. For example, the couple which has been helped to set up a plan for overcoming its debt problems but never seems to be able to stick to that plan may well be reflecting individual or relationship problems that must be dealt with first or concurrently with the financial difficulties. In this case, consultation with or referral to a marriage and family therapist, or other psychotherapist may be indicated. Continuing consultation contact with the therapist may well be helpful in assisting the couple through its financial problems.

Let us now look at some of the factors involved in the process of stress or crisis. Generally speaking individuals, couples, and families function in some state of balance or equilibrium.

The following lines illustrate some of the possible types:



With the above, the organization of behavior is generally adequate for meeting day-to-day needs and wants. From time to time stress or crisis comes along and the balance or organization is changed.



The balance regained may be similar to the previous one, at a higher, more positive level or at a lower, less adequate level. A number of factors are related to how the person copes with the crisis or stress:

1. Perception of the adjustment event. Is it a crisis or stress or is it another task to be met? Do others see it the same way?

2. Has there been previous experience with this event or similar events? Successful or unsuccessful?

3. What kinds of supports and/or assets are available to help? Family, community professionals, helping agencies, clergy, friends, etc.

4. How the individual or family attempts to cope with the situation, e.g. running away from the problem, ignoring it, overlooking it, trial and error solutions, or an organized method for meeting the problem head on.

Stress and crisis related to financial functioning may be a simple matter related to lack of one or two bits of information. It may also be a complex problem involving a variety of interactions. It is important to know your own limits as a counselor and when and where referrals are appropriate. Referral and consultation with another expert may provide an additional means of improving your own functioning as a financial counselor when the stress or crisis presented goes beyond your level of expertise.

CREDIT COUNSELLING AND COUNSELLOR TRAINING IN ONTARIO, CANADA

Amy E. G. Cousineau, M.Sc.

Lecturer, Department of Family Studies, University of Guelph and
President, Ontario Association of Credit Counselling Services.

* * *

Introduction

In this paper I intend to examine the differences in credit counselling and counsellor training as they exist in the United States and the province of Ontario, Canada. Both credit counselling itself and counsellor training in Ontario owe a large debt to our American friends, since both began in the U.S. before they were initiated in Ontario. We have been enriched by the ideas that we have borrowed from south of the border.

Since I am assuming familiarity with the American credit counselling system, my remarks will be confined to a brief explanation of how the situation in Ontario is different from that in the U.S. and to an explanation of what we in Ontario have been doing in the area of counsellor training.

How Credit Counselling in Ontario Differs from Credit Counseling in the United States

1. Credit Counselling in Canada is not nationwide.

Ontario is only one of the provinces of Canada. (See Figure I, pg. 87) In the rest of Canada's provinces, credit counselling either does not exist at all, or it is in a form different from that in Ontario. As far as I am aware, citizens of Newfoundland, Prince Edward Island, and New Brunswick do not have any credit counselling available to them. In Nova Scotia, Manitoba, and Saskatchewan there are one or two services located in major urban centres. In Quebec there are a number of government offices which facilitate debt repayment but provide little in the way of counselling. British Columbia and Alberta have well developed networks of debtor assistance centres, but these are operated by the Provincial governments, and the counsellors are civil servants.

2. The number of services in Ontario is far fewer than in the U.S. network.

In the entire province of Ontario there are only 29 credit counselling services which employ about 50 counsellors in total. Hence, we tend to get to know one another quite well and it is relatively easy to co-ordinate activities which involve all counsellors in the province.

3. Our offices are generally smaller scale operations than those in the U.S.

The twenty-nine agencies which serve the people of Ontario are located not just in large urban centres such as Toronto and Ottawa, but also in smaller cities such as Guelph (pop. 70,000) and Chatham (pop. 30,000). (See Figure 2). The staff in many of our agencies consists of one professional counsellor and a clerical aid. In a number of cases, the staff works less than full-time.

4. Not all Credit Counselling Services in Ontario are independent operations.

Eighteen of the twenty-nine Ontario Credit Counselling Services are part of Family Service Agencies. Because of this, administration and support functions are integrated with those of a larger helping agency. Referrals for family counselling and personal counselling are facilitated in this type of setting.

5. In Ontario, the Bankruptcy legislation does not provide for a "wage-earner plan".

Since I am unsure of exactly how Chapter 13 of the U.S. Bankruptcy Act affects U.S. credit counselling, I cannot comment on what difference is caused by the lack of a wage-earner plan in Ontario. In our province, debt repayment programs depend on the voluntary co-operation of creditors. There is no statute which forces them to accept an orderly payment program, or to write off a debt balance remaining after an honest effort to repay over a number of years.

6. Credit Counselling Services in Ontario are partially funded by the Provincial government.

This is probably the most important difference between the two systems. In Ontario, the government participates in the financing of credit counselling services on a 60/40 cost sharing basis. If there is a demonstrated need for the service in a community and providing that 40% of the operating expenses can be raised in that community, the government will pay the other 60%.

The 40% local share of funding comes from a number of sources, depending on the agency. Some services, especially those within Family Service Agencies, receive the whole 40% from local United Way organizations. Others raise money from creditor donations, municipal governments or some combination of the three. A few services have received federal government grants, but these are usually short term in nature and cannot be counted upon for continuing support in the long run.

In addition to financial support, the provincial government has been helpful in a number of other ways. Provincial employees have collected and analysed data about the program for a number of years, have assisted new agencies to become established and have served in a "troubleshooting" capacity when problems developed in individual agencies. As well, the province has encouraged and financially supported our counsellor training program.

Counsellor Training Activities in Ontario

Our counselor training activities have developed on a rather "ad hoc" basis over the past ten years. Virtually all professional development activities have been sponsored by the Ontario Association of Credit Counselling Services, rather than by individual agencies or by the provincial government. Initially, these efforts were undertaken because of the diverse backgrounds of our counsellors, who came from the finance industry, other types of counselling and straight out of school. It was recognized that each of these groups had specialized knowledge that could be shared with others, and many of our seminars have been designed to facilitate this exchange. This type of informal counsellor training is still going on since a good deal of time at our semi-annual meetings is devoted to sessions designed to improve counsellors' skills.

In 1977, a more formal counsellor training program was undertaken by the Association. With the assistance of the Ontario government we embarked on a development process which we hope will culminate in a standardized training program for all counsellors, and possibly a certification program for credit counsellors.

The Formal Training Program

Early in 1977 there seemed to be many compelling reasons for taking a more rigorous approach to counsellor training than we had been doing in the past. We had watched the development of the U.S. training materials and certification, and felt that this type of professional designation would be a good idea for Ontario counsellors too. At the same time, we were very aware of activities of our Federal government which were aimed at changing our current Bankruptcy legislation. One of these changes would allow for partial repayment programs to be administered by "capable professionals". We thought that a formal training program for counsellors would help us promote our network of services as the appropriate group to administer these programs in Ontario. A third important reason for embarking on the program was the interest of the Ontario government in some quality assurance for the counselling they were supporting, and their willingness to pay for a good deal of the development cost of a training program. Reasons of lesser importance included the fact that some "lapses" in the performance of one or two of our counsellors had been brought to our attention, and also the difficulty that agencies were having in hiring counsellors who knew anything about the field at all.

Obviously a training program, if developed, would alleviate both of these problems as well. Because of all these factors, the Association appointed a committee, under the chairmanship of Mr. George Penfold, to work with the Ontario government to develop counselling standards and a training program to help counsellors meet them.

In the last two years we have accomplished a great deal. Following a preliminary survey of counsellors to ascertain what competencies they thought were important for credit counsellors, we had an intensive two day workshop to design a DACUM chart which described the job functions of a credit counsellor. In this chart, main types of activities were identified, and these were broken down into their component parts. This document was circulated to our member agencies, and ratified at a general meeting of the Association.

After this basic job description was approved, a consulting firm, Community Concern Associates, was contracted to develop a Manual for Credit Counsellors which was seen as the first step in the development of training and reference materials for counsellors. Our manual owes a tremendous amount to the one developed for you here at V.P.I., since the concept was borrowed from you, and indeed, some of the content. The manual was completed last fall and distributed at our October general meeting.

The next stage in the program had a dual purpose--to ensure that the manual did more than "gather dust", and to ascertain what was most important to do next. To accomplish these ends, a series of one day workshops on the manual were scheduled for December 1978. Attendance was fantastic, with over 95% of counsellors present! The day began with the administration of a knowledge test based on the manual and then continued with a discussion of the manual content and of the test questions. By and large, counsellors performed very well on the test, which was marked and returned to their home addresses. Based on the test results and counsellors' opinions, it was decided that more detailed information should be prepared as soon as possible in three areas - interviewing, calculation of interest, and law. Additional information gained from these workshops was that in many instances actual practice differs from theory, and that there are almost as many ways of doing certain tasks as there are agencies. It is extremely difficult to measure counselling performance, especially in a "test" situation, and we wonder about the implications of this for any certification procedure we may undertake in the future.

The latest activity in our training program took place just last month. At our general meeting held at the beginning of May, counsellors were given four case studies to work on for a period of two hours. Later in the day, group discussions on these cases were held. The objectives were to allow counsellors to share their ideas about optimum approaches, and to clarify some of the more troublesome policy issues with a veiw to standardizing our operations. Counsellors enjoyed this activity and it was felt that everyone learned a great deal.

What does the future hold? We certainly have a long way to go before our program approaches the stage of development of the U.S. program. Our reference materials are not yet complete, and any kind of counsellor certification is at least two or three years down the road. The tasks we hope to complete in the next eighteen months are the following:

1. establish guidelines and standards for operational procedures, including a set of standard forms.

2. develop a learning module on the topic of interviewing which will include printed materials and audio tapes.

3. prepare supplements to the Legal and Budgeting sections of the Manual.

4. develop a performance appraisal instrument.

5. develop a performance appraisal strategy (which might be used as the basis for counsellor certification).

6. sponsor a series of workshops for counsellors to implement the operational guidelines and the newly produced learning materials.

Our approach to the training/certification problem in Ontario has differed from the U.S. approach in a number of ways. There seems to be more direct involvement of the provincial Association and the provincial Government in our program than was evident in your efforts. We seem to be spending much more time on nailing down job specifications and on trying to agree on the "right" way to do things. This takes an immense amount of time, and on certain occasions I have wondered whether it is worthwhile. Probably because of our small size, we have been able to do more training involving counsellors in small group discussions, and have given them feedback on their efforts. Whether these differences will make our eventual outcome stronger, weaker, or simply different than yours remains to be seen.

Summary and Conclusion

This paper has reviewed the main differences between the practice of credit counselling in the United States and the province of Ontario in Canada. The background of the Ontario counsellor training efforts was described and achievements to date reviewed. Finally future plans were outlined, and differences between the Ontario and U.S. approaches identified.

The Ontario Association of Credit Counselling Services is indebted to our United States counterparts for many aspects of our training program. The original idea to establish such a program was borrowed from you. The concept and ideas for our manual were largely a result of seeing the results of your efforts. Finally, the invitation to tell delegates to this conference about what we have been doing was greatly appreciated. I think that both our groups can be stronger if we continue to exchange ideas and information.

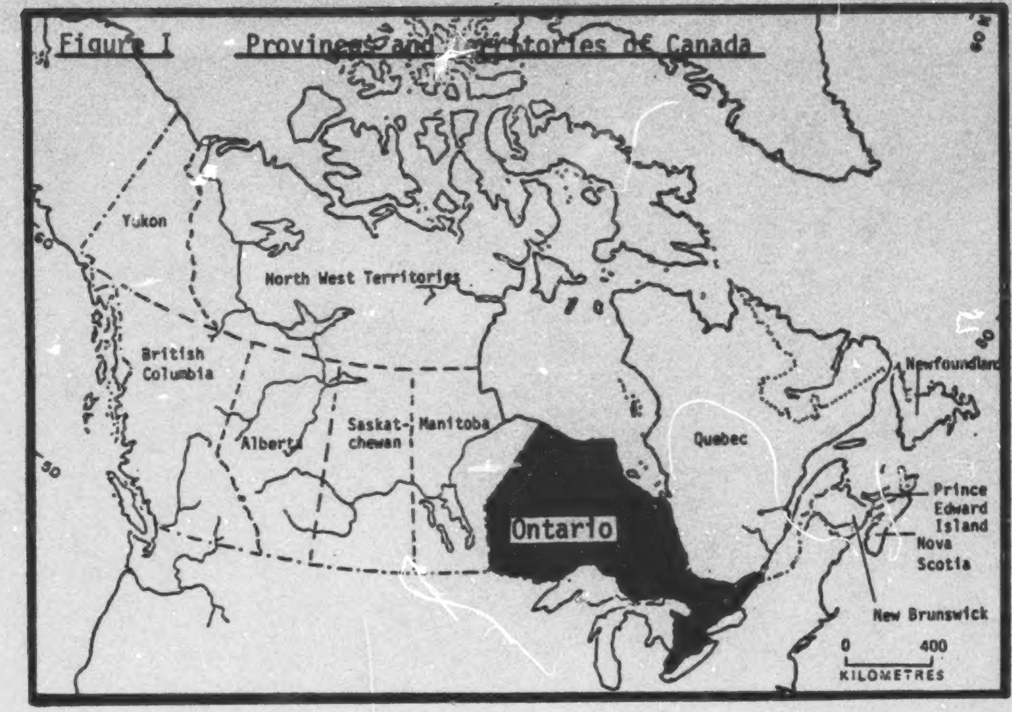


Figure I Provinces and Territories of Canada

Yukon
North West Territories
British Columbia
Alberta
Saskat-chewan
Manitoba
Ontario
Quebec
Newfoundland
Prince Edward Island
Nova Scotia
New Brunswick
0
400
KILOMETRES
60
50
60

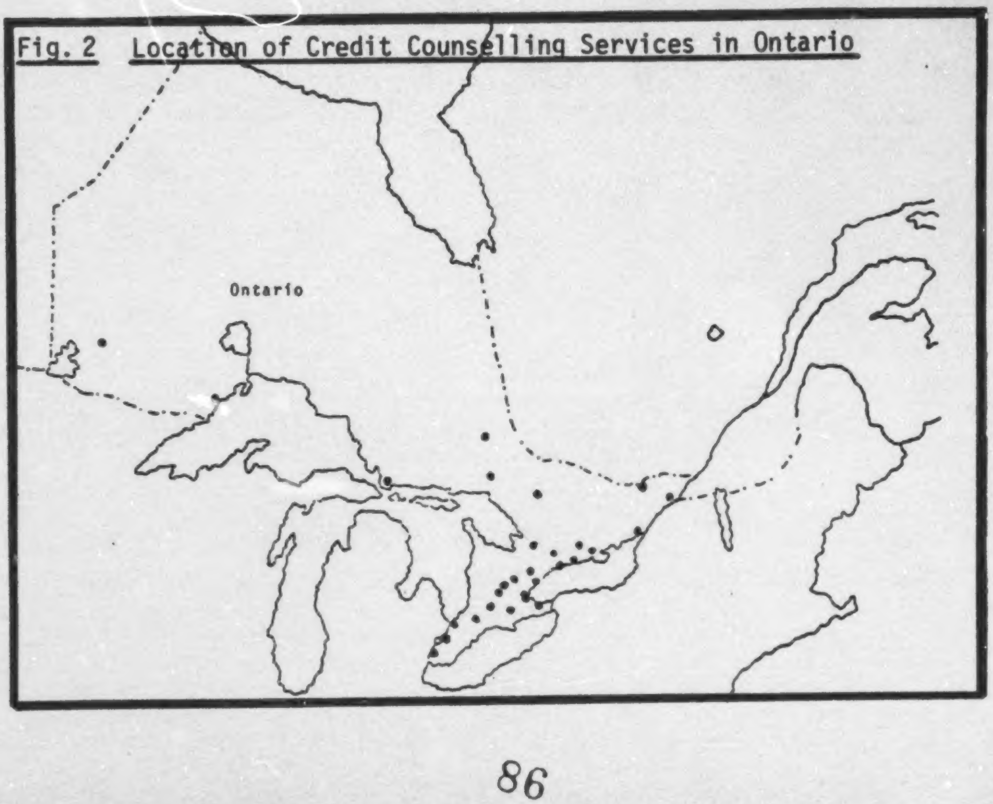


Fig. 2 Location of Credit Counselling Services in Ontario

ASSESSING COUNSELOR AND AGENCY TRAINING NEEDS

Mary Van Arsdale

Education Consultant, Consumer Credit Counseling Service (New York).

In developing a comprehensive training program it is essential to review the needs of all parties in training, i.e. the agency management (overall goal and objectives) as well as the counselors' needs.

I Subjective Evaluations

A. What are management training requisites?

1. What are the overall goals and objectives of the organization.
2. How do these goals and objectives relate to training requirements?
3. How does management view these training requirements in terms of priorities?

B. What training do counselors need or would like to have?

1. What is the counselor's background?
    - a. education
    - b. type of experience
    - c. length of time with the agency
    - d. job classification
    - e. compensation
2. Counselor interview. An experienced interviewer discusses training needs with each counselor individually;
    - a. relating these needs to background and experience
    - b. for effect on future hiring practices
    - c. to evaluate relationship of caseload to background and experience
    - d. to survey other related areas i.e. attitudes, expectations, or salary, that may adversely effect training efforts
3. "Counselor training needs" survey which breaks down all elements of the counseling process and requires counselors to evaluate their individual needs. (New York CCC survey form to be passed out at workshop)

II Objective Evaluations

A. Evaluation of the counselor - during the client-counselor interview.

1. auditing client-counseling sessions

2. reviewing taped counseling sessions

B. Evaluation of the counselors' most recent cases to identify areas where objective evaluation can be appraised i.e. excessive deficits, missed assets, and etc. (New York CCC audit form to be passed out at workshop)

III Analyzing the needs of management and counselors

A. Collating results of both subjective and objective evaluation.

B. Putting these results into a meaningful framework for establishing a training program.

C. What type of training program will work in this organization?

D. Tailoring training program to meet managements' commitment in terms of time and money.

PROFESSIONAL GROWTH AND DEVELOPMENT

David C. Myhre

Research Associate, Virginia Polytechnic Institute and State University; Project Coordinator, Financial Counseling Project.

* * *

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  - B. Skills
  - C. Personal Growth and Development
- II Program Development
  - A. Intra-agency
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  - C. Research
- III Community Development
  - A. Outreach and Publicity
  - B. Community Programming
  - C. Participation in Professional Organizations
  - D. Making Contributions to Your Field

* * *

As adults, we are all aware that the nature of the world is change. We have lived through and continue to adapt to social, technological and personal changes. We change, others change, circumstances change, professions change.

For example, in the field of electronics the dominant technology 60 years ago was crystals. Along came vacuum tubes and suddenly electronics was a new field. In the '50's or '60's someone discovered the transistor, and in only a few short years the vacuum tube was all but forgotten. Now we have quartz chips, which have made transistors nearly obsolete. In one human life span this profession was born and has totally changed four times. If you could find an electronics engineer who is still in the field today, you could safely say that that person has done a tremendous job of professional growth and development over the years.

In one sense, professionals must grow and change just to keep up with the times. For others, this is not enough. Many people want to better themselves. They want to do their work better and improve their performance. For these people, the idea of doing just enough to keep up sounds like being on a treadmill - continually moving, but going nowhere. In this group of people we may find counselors who want to be supervisors or directors.

We often hear athletes talking about "giving 110%" or "playing at 150%." What they are talking about is 110% or 150% of normal. Each one of us has vast, untapped, unused potential that we rarely or never use. This is not just of physical potential.

Most brain function experts agree that we use very little of our mental powers. They often use estimates of 10-15%. This means that most of us on an average day use only 10 or 15 percent of the potential mental ability we have.

Physically, most of us are in about the same shape. Compared to a highly conditioned athlete, most of us have developed only a small percentage of our physical potential. Considering the vast untapped potential that each one of us posesses, we all have the ability to make awesome improvements. Each one of us has an immense capacity for growth and development.

What we're really talking about is maximizing and optimizing our performance - to be the best financial counselors that we can possibly be. We're talking about actualizing all of our potential and putting it to use, of playing the game at 100%, not just going through the motions.

We have all had a very stimulating conference. We are full of new ideas and things we've learned, so rather than overwhelm you with a long, boring speech, let me present briefly the elements involved in professional growth and development and then we can have time to discuss them. For those of you who want to pursue this topic further, there is a chapter that I wrote in one of our publications that you have received - Developing A Personal Approach To Financial Counseling. I will present briefly three areas:

- Individual Development
- Program Development
- Community Development

I. The first area, Individual Development contains three sub-areas, the first of which is Knowledge. The Ontario Manual for Credit Counselors has the best, systematic display of the many areas of knowledge needed by financial counselors that I have seen. It shows 83 different areas in which a financial counselor needs to have knowledge. EIGHTY-THREE! To be maximally informed, a financial counselor needs a massive amount of information. Let's look at some of the general areas in which we need information:

1. Family and individual finance; budgeting; money management.
2. Economics, especially in terms of the national economy.
3. Taxes.
4. Counseling techniques.
5. Bankruptcy.
6. Investments (general knowledge).
7. Human behavior.
8. Debtor/Creditor Law.
9. Credit and Collection Policy.
10. Communication Techniques.

How do we go about developing all these areas of knowledge related to our work?

1. Read (books, magazines, journals, newspapers, government reports)
2. Attend classes (college, university, community colleges, technical schools, extension courses)
3. Attend workshops, seminars
4. Watch select TV programs
5. Listen to select radio programs

The second area of Individual Development I want to address is Skill Development. Here we come to one of my favorite topics - what is the difference between knowledge and skill? How many of you know how to change a flat tire? How many of you could change a tire in less than five minutes? How many of you could work on a pit crew for a major national stock car race and change all four tires in less than 30 seconds. Now that's skill.

Gaining knowledge is generally a passive pursuit. Skills, on the other hand, are developed by activity, by practicing. The most important skills to develop in our business are communication and interpersonal skills. Granted, we need some math skills and the ability to cope with paperwork, forms and filing systems, but our most valued skills, the ones that enable us to be effective in our work are the inter-personal and communication skills. Some specific areas to focus on are:

1. Counseling techniques
2. Speaking skills

3. Listening skills

4. Writing skills (proposal and report writing)

5. Negotiating (with clients, creditors, funding sources)

Skills are developed by practicing them. Use every opportunity you can find to practice, then examine and critique how well you performed. Determine what you did well, what you didn't do well. Determine how you can improve the areas where you didn't do well, and practice them. Go back and examine and critique again.

If you only practice by repeating what you've always done, you may just reinforce bad habits. The analysing step is the critical one in skill building. You need to find your weak areas. Only then can you begin the task of improving your performance.

The third area in Individual Development is Personal Growth and Development. The Human Potential movement began in this country about 30 years ago. It encompasses all areas of human endeavor - mental, physical, emotional and spiritual. A laundry list of some of the things I'm talking about would include: Jogging, yoga, the Dale Carnegie course, est, encounter groups, marriage enrichment groups, couples' communication courses, assertiveness training, human relations groups, Silva Mind Control, Rolfing, individual and group therapy, meditation, hypnosis, etc. I could go on for an hour.

In the late '60's and early'70's, "growth groups" became very popular - there was a big boom in the personal growth market. As in every area that has had a boom (the California gold rush and land sales in Arizona are good examples) you found a number of quacks, charlatans, and unscrupulous promoters offering programs. For many people, "growth groups" got the reputation of being a real ripoff. Now that the market has cooled, most of the ripoff artists have moved on to greener pastures and those who are left are generally very legitimate. There is of course the "way-out fringe" which includes nude encounter marathons, rebirthing (in a hot tub), Primal Scream, Synanon and a variety of religious and secular cults - even the Satanists are big these days.

For many people, personal growth activities can make the difference between a life of fear, boredom and failure, and a life of achievement and success. I personally have participated in many growth activities, and without some of them I would not be who I am or where I am today. I've also been to a couple of real ripoffs. Entering a growth group is rather like buying a used car - it pays to examine it thoroughly before you spend your money.

One activity that I recommend very highly is est training. Since taking est, I am a more effective, efficient, productive person. And my basic satisfaction and joy of life has increased tremendously. Also, my relationships with other people have improved greatly. The est training has make a profound difference in my life. I know est has gotten a lot of bad press, but most of it has been written by people who don't know anything about it. With est as with any growth group, ask the people who've already done it. Find out what they thought and whether it made a difference in their life. If you get good reports, you may want to try it yourself.

II. Now, let's quickly move on to the other two areas. The second area of development is Program Development. I'm talking now of agency activities that promote professional growth. In this category are basically three elements, Intra-agency programs, Inter-agency programs, and Research.

Intra-agency activities take place within the agency. An office staff is like a family. Satisfaction and performance are related to the quality of communication and inter-personal relationships within the family. Providing internal activities such as study groups, in-service training groups, staff meetings, even company picnics provides the optimum conditions for growth. Plants need sunshine, water, soil and air to grow. Professionals need communication, inter-personal relationships and time to relate in order to grow. Like many plants, professionals grow together in bunches much better than isolated and alone - in their own separate pot, so to speak.

Inter-agency activities recognize that the agency exists in relationship to a larger community. You need to know what the Welfare Department is doing and vice versa. A financial counselor cannot operate in a vacuum. Inter-agency activities provide substantial opportunities to share skills with others. The mental health clinic teaches you counseling skills - you teach them budgeting and how to recognize the signs of an approaching financial crisis. The counselors, the agencies and the larger community benefit from the experience.

Research is an activity that is sadly lacking in most financial counseling agencies. Not one single research study performed by a financial counseling service has been published in a major professional journal. I may have to eat that statement, but I am not aware of one single article. We need to know what counseling techniques work with what kinds of clients; why we were successful with some clients, why we were unsuccessful with others; why clients dropped out of counseling; why some people would rather commit suicide or bankruptcy than come to us for help. In the process of designing research projects and in carrying them out we have to think about what we do and how we do it. We may find out some very exciting (or very disturbing) things in the process.

III. The last area I want to address is Community Development. Financial counselors exist in a variety of communities. There are the communities where we work (the office) and the city we work in. There is our professional community, composed of various groups of counselors and other human service specialists.

One critical aspect of Community Development is Outreach and Publicity. If I want to sell a car and I don't tell anybody about my desire to sell my car, I could wait until I died for somebody to come up and ask to buy my car. Likewise with your service. You can offer the best financial counseling in the world and if people don't know about it, they won't come to you for assistance.

The same applies to funding. When you go out to solicit funds and the person you're talking to says, "I've never heard of your service," what are your chances of getting the funds you seek? The old Biblical maxim applies here - Don't hide your light under a bushel basket. If you've got it, flaunt it! Blow your own horn - nobody will do it for you.

In some research I recently completed, I asked marriage counselors who they would refer people to for financial counseling. Most of them said bankers and accountants. Only 2½% knew of, and mentioned, Consumer Credit Counseling Services. Your professional standing in your community is rather low if people don't even know who you are and what you do.

Another element of Community Development is Community Programming. Teach money management in the schools, to civic groups, to other agencies. Conduct professional workshops for other human services specialists. Act as a resource person for boards, committees and groups whose activities relate to your profession. Get out into your community and look for areas of need that you or your agency can address. Sponsor contests in the local schools with a prize for the student who can write the best essay on "The Responsible Use of Credit." Offer money management groups to all the couples who apply for marriage licenses in your community. Get out and involved and make an impact in your community, rather than sitting back and waiting for credit casualties to straggle in.

Part of Community Development is your participation in Professional Organizations. You can learn much from them and you have needed input to provide. Join, and take part in, the American Home Economics Association and its state association, the National (and your state's) Council on Family Relations, the National (and your state's) Association of Social Workers. Your associations with other professionals can facilitate your own professional growth and theirs.

Finally, there is the matter of Making Contributions to Your Field. The conference that you are now attending was made possible by the contributions of many people. Without their active involvement, this conference may not have happened, or it could have been a real bomb. The many books, publications, movies, workshops, leaflets, and pamplets that you have seen or received at this conference are contributions from others, given to you for your growth and development. Every bit of training you have received in order to do the job that you do was a gift from someone to you, their contribution to promote excellence in our field.

The speakers and workshop leaders at this conference have contributed countless hours of planning and preparation, and handouts to offer us. One reason the cost of this conference is so low is that we did not offer to pay speakers' expenses. So not only have they contributed their time and expertise - some of them are paying their own expenses to have the opportunity to be here and contribute.

I can only rely on my own experience to tell you what a powerful difference my contributions have made to my personal and professional growth and development. Through this conference, the Financial Counseling Project and the Debt Counseling Project held here at VPI two years ago, I have had the opportunity to develop all kinds of skills that I never thought possible.

I think I speak for all the conference speakers when I say that if we were to seek payment for our contributions, we would want payment-in-kind. That is, we want you to take what you've learned and share it with others. Present groups, write training manuals, organize your own local or regional conference on financial counseling. Make a contribution to others - you can't help but grow in the process.

To wrap up this session on professional growth and development, I want to leave you a choice. Each of us as individuals and each of our agencies has a vast amount of untapped potential. We have the capacity for becoming more skilled, more productive, and more satisfied with what we do. We have the innate capacity to excel.

By structuring growth activities into our daily lives, we can create the optimum conditions for us to develop excellence in our profession. By structuring growth activities into the agencies where we work, we can facilitate our collective development toward excellence. I challenge you to choose to pursue excellence. In the process, you will find your satisfaction with work and life will increase, you will develop skills you never thought possible and your relationships with others will improve immeasurably.

FINANCIAL COUNSELING FOR LOW-INCOME CLIENTS

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The term low-income is used to describe a selected segment of our population which is defined in various ways. The terms disadvantaged, low-income, and poverty are sometimes used interchangeable, yet these concepts possess many dimensions. They are not mutually exclusive.

One way to define "absolute poverty" is deprivation of commodities and services that are essential for persons' functioning as human beings. It exists when families lack the money income to obtain these essentials. Absolute poverty is visible (Fitzsimmons and Williams, 1973.)

"Relative" poverty is the inability of individuals or groups to obtain a way of life that resembles the consumption and level of living of the majority in a given society. The basic needs which are lacking are relative to the economy. These inadequacies prevent persons from functioning in their society and also from making use of opportunities available in a given society. Relative poverty varies from being less visible to invisible depending upon the viewer.

Many individuals with low incomes are unhappy, even with the goods they can command, because they see others enjoying things they have been unable to obtain. Since the deprived see evidence that a better life is attainable, denial of opportunities creates resentment in some, apathy and loss of motivation in others. The severest poverty is marked by the abandonment of hope.

"Statistical" poverty levels are based on food plans for various family compositions. Near-poor families would be those having an income under the annual cost of the government's low-cost food plan multiplied by three. Poor families would be those using the economy food plan (Orshansky, 1969.) By this definition, in 1977, 11.6 percent of the total population were below the poverty level and 16.7 percent were below the near-poverty level (125% of poverty level.) The average income cutoffs for nonfarm families of four were $ 6,191 at the poverty level and $7,739 at the 125 percent of poverty level (Statistical Abstract, 1978.)

Some low-income persons are in a "poverty cycle." Neglect of physical needs caused by inadequate money income leads to a lack of motivation, education, skills, use of opportunity, employment, income, hope, adequate housing, nutrituous diet, health and vitality. The financial counselor can intervene in this cycle and help the client to move in a direction with hope for improvement. It has been said that poor people should "pull themselves up by their own bootstraps," but that is difficult if they have no boots. The counselor knows how poor people can get some boots.

Characteristics of Low-Income Persons

The term low-income is considered more appropriate than the term poverty because the only characteristic unique to "poor people" is their low income. (Johnson, 1966) A recent study found that there was no "culture of poverty." (Kutner, 1975) Traits of low-income families are those "that one would expect to characterize poor families to a greater degree than non-poor families." Characteristics pertinent to financial counseling have been identified by many researchers (Kutner, 1975; Tulefson, 1976; Williams, 1978; Chilman; President's Committee on Consumer Interests, 1965; and others) and are discussed below.

The poor in Kutner's study, more than the non-poor, held unskilled jobs, did not own property, did not have savings and food reserves, were chronically short of cash, and were in a constant struggle for survival. The poor were more dissatisfied with housing and the ratio of persons to number of rooms than the non-poor. The poor felt more than the non-poor that existing institutions did not serve their interests and needs. The poor also felt more powerless. On other selected traits that Kutner examined, there were no significant differences between the poor and non-poor.

Educational level, ability and creativity of low-income clients range from very low to very high. Many have a fine spirit and have done better than they would be expected to do given their situation. Clients frequently have multiple problems that are financial, legal, physical, and emotional in nature. Their appearance and their skills are often handicaps in obtaining employment. Changes in their marital status and in their housing often compound problems and interfere with a long-term financial counseling program.

Food, housing, medical, and legal aid are available for many clients, but transportation and clothing problems remain. The problem of transportation to lower cost retail stores remains a problem. Distribution of food throughout the month and food storage are problems. Many are burdened with large utility bills for which no help is available. Non-welfare clients frequently have large medical bills for which there is no help except for mental health bills. Many of their problems have occurred because of factors outside their control or management.

The real income calculated for clients who are on government programs may be surprisingly higher than expected and higher than available work at the minimum wage. Most educational material is developed for families although most of the clients are single individuals or single parents. They are not economically naive when calculating benefits to cost of job opportunities versus alternative government programs.

Clients need printed forms or worksheets for financial management. They need to be encouraged to follow through on plans. They have goals similar to those of other groups but need help in the day-to-day activities to reach these goals. Clients may not see the connection between getting to work on time, working every day and amount of income. They need specific steps and names of contact persons written down for them.

When low-income persons make purchasing mistakes they blame themselves, whereas more highly educated persons may blame advertising, business, or inferior merchandise. They do not know their consumer rights and recourse procedures. They are victims of mistakes made by tax advisors, welfare officials, and by themselves. They need help in buying used cars and repairing them.

Many low-income clients are more realistic than affluent clients and are more easily helped than well-educated clients who have had their egos damaged by the experience. Many clients can be put on self-administered plans soon after consultation and others after several weeks as new behavioral patterns are formed and a system of control established. The only service a counselor may be able to provide for clients is teaching them a system and structure of money control when income cannot be increased or expenses reduced. Many are accustomed to crisis as a way of life and can cope better than those more fortunate who have a crisis infrequently.

Clients do not know how to qualify for government benefits or what deductions are allowed for determining income eligibility. They are unaware that they must file an income tax return to get refunds or other benefits. They are often unknowledgeable about the value of their fringe benefits such as health insurance, sick leave, or credit insurance.

Many people in low-income areas have little cash during the week and therefore trade at credit stores which charge higher prices to compensate for the services they perform. Low-income clients rarely have problems with credit cards because they usually cannot get them. They are not eligible for bank loans or installment contracts at large department stores. Their form of credit is "lay away" purchases and financing comparable to the value of their house. They use finance companies but not banks. They do not feel at ease in the large, middle-income shopping centers or do not have transportation to get there.

Low-income persons who have experienced repeated failure may avoid situations where they might be identified as failures, thereby, avoiding financial counseling. On the other hand, some clients will request a financial counselor in order to get more benefits or to "get off the hook" of some problem. After counseling they feel guilty about not following through on a plan and may even try to lie or deceive the counselor to cover up their actions. A counselor must be aware of the "games" clients play or the counselor's own motivations such as the need to fulfill a parental role or to feel needed.

Counseling must involve both spouses for a plan to succeed. Resistance to bringing a spouse in some cases may be due to the client wanting to play an "infant role" in the counseling session, to blame others for problems, or to be a martyr.

Low-income persons may be those that other agencies or professionals lack patience to work with over a period of time. Perhaps other professionals have given them the "run around" and have referred them quickly to someone else, thus relieving themselves of guilt feelings.

The client's order of priorities are usually different from the counselor's. Values, goals, and standards such as paying bills on time or comparison shopping cannot be imposed too quickly. These perspectives change slowly.

Low-income persons perceive standards of middle income individuals and try to copy their behavior. Frequently however, their perceptions are different from those that counselors actually hold. For example, their perceptions, erroneously, include having a fancy phone or two, using processed or convenience foods, and wearing only new clothing. They may not know the alternatives to being wasteful. Many lack the shopping skill to compare values.

Low-income persons have been given surplus goods or money, but the financial counselor can give what no other agency can. Education and techniques to change consumer behavior will help beyond the immediate problem resolution. A counselor has to guard against destroying the professional relationship by giving things or money to the client directly.

Content

The content of financial counseling includes concepts, attitudes, and skills of consumer economics and financial management. These have been identified for low-income clients through a counseling program at Purdue University and from experienced counselors selected from across the country. Those principles and practices considered to be the minimum and most basic have been developed and published in Guidelines to Financial Counseling with Consumer Economics and Crisis Intervention (Williams, 1979) according to the following outline:

- Introduction
    - Introduction to Financial Counseling
    - Purpose and Development of the Guidelines
    - Use of the Guidelines

- Financial Position
    - Contract
    - Personal and Financial Information for Counselor
    - Assessment and Record
    - Current Spending
    - Federal Income Tax Withholding

- Possibilities for Crisis Solution
    - Crisis Management Steps
    - Programs to Manage Money and Debts

  - Sources of Help (A guide to services and agencies)
  - Possibilities

- Increase of Income and Benefits
  - A Job for You
  - Applying for a Job
  - Job Success
  - Resources You Have

- Financial Spending Plans
  - Make a Plan Work for You
  - Types of Plans
  - Guideline Budgets
  - Equivalence Scale
  - Cost of Food in a Realistic Budget
  - Priority Ranking
  - Budget Worksheet
  - System for Paying Bills
  - Action
  - How Savings Grow

- Debt Management and Adjustment
  - Loan Consolidation Worksheet
  - Costs of Installment Loans and Refinancing
  - Debt Management Worksheet
  - Creditor Policy
  - Sample Letter

- Money Control and Business Organization
  - Your Business Center
  - Banking Services
  - Using a Checking Account
  - Writing a Check
  - Balancing the Bank Statement
  - Envelope System
  - Important Records
  - How to Control "Impulse Buying"

- Shopping Skills and Decisions
  - Smart Shopping Skills and Practices
  - What are the Steps in Making Choices
  - Generic Groceries
  - Comparing Apartments or Housing
  - Thinking about Renting
  - Buying an Appliance
  - How to Buy a Used Car
  - Save When You Buy a Used Car
  - Save When You Buy Auto Repair

- Reduction of Expenses
  - Reducing Costs (Getting More From Your Money)
    - Clothing
    - Personal Care

- Medical
- Gifts and Contributions
- Transportation
- Recreation
- Housing
- Utilities
- Estimated Annual Kilowatt-hour Consumption of Electrical Appliances
- Heating and Cooling
- Water
- Telephone
- Home Furnishings
- Cleaning Supplies
- Food
  - Illustration of Milk Substitutes
  - Grocery Bags
  - Meat and Meat Alternatives
- Survival Food Plan

Credit Control
- Credit Knowledge
- Advantages and Disadvantages of Buying on Credit
- Before You Sign a Contract, Check These
- Dollar Cost of Credit
- Comparing Credit Costs
- Comparison of Annual Percentage Rates for Consumer Credit
- The Dollar Cost of Credit on a $1,000 Loan
- Credit Control
- Managing Credit Card Accounts
- Your Credit Rating and Eligibility
- Danger Signs of Credit Abuse
- Are You a Good Credit Risk

Advertising and Sales Pressure
- Advertising
- Sales Tactics
- Advertising in Big Business
- Dollar Votes

Legal Rights and Recourse
- Consumer Rights and Responsibilities
- Selected Situations
- Frauds and Misrepresentations
- Consumer Action
- Recommended Complaint Procedure
- Sample Letter of Complaint
- Court Action Process

Insurance
- Evaluating Your Need for Insurance
- Consequences of Not Carrying Auto Insurance
- What If You Have No Medical Insurance

Auto Insurance
Homeowner's Insurance
Health Insurance
Evaluate Your Medical Coverage
Main Types of Life Insurance Policies

Process of Counseling

Financial counseling is directed toward problem solving - communicating relevant information and predicting trouble, and isolating the immediate problem. Alternative solutions are discussed. Resources and their use are evaluated. Plans are established. Some concrete steps are taken toward solving problems, for example, writing a letter. A financial crisis may be resolved through the management process. A crisis may become an opportunity for growth and positive change.

During sessions with clients, the financial counselor:

1. Helps clients identify the root of the problem and other aspects of their financial situation not previously considered; distinguishes between problems that are damaging to the client and those that are not; helps clients understand basis for money habits; predicts problems.

2. Deals with causes and not symptoms (when problems are outside the training of the counselor, helps clients to the appropriate referral agency); presents knowledge or facts; points out economic and management principles that can be applied, and suggests techniques that may be helpful.

3. Gives examples of what others have done, and helps clients to be creative in considering alternative ways to handle problems or financial crisis; presents a sufficient number of alternatives that something will be congruent with clients' desire to change.

4. Points out consequences and long-term results of these alternatives.

5. Clarifies misconceptions and allays ungrounded fears; points out aspects of clients' financial situation requiring concern and action.

6. Is aware that the clients' values and priorities may differ from the counselor's, and encourages clients to make decisions on the basis of what is important to them. (No behavior will be long-lasting if it is not congruent with the goals and life style of the client. Goals can be changed, however.)

7. Gives emotional as well as intellectual support; preserves clients' self-esteem by pointing out things clients have done

right and reassures clients that many others are having similar problems; gives support to the implementation of sound alternatives clients have considered prior to seeking professional help and compliments clients for managing as well as they have; develops confidence and behavior modification by suggesting gradual steps which may be successful although not too different from original position.

8. Helps clients be active participants by providing experiences in which they make decisions.

9. Teaches skills in money management; approaches problems with the concepts; "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime;" provides educational publications.

10. Mobilizes all available resources in addition to those of which clients are already aware; searches out and utilizes any other family, community, and/or government resources; refers clients to other professionals as necessary.

The management of crisis intervention in the counseling practice follows this procedure:

I Describe the problem.

What part of the situation requires change or crisis intervention?
What danger signs suggest that there may be a problem?
What decisions need to be made?
What is your assessment of the situation? (Where are you?)
What relevant information is needed?
What facts are necessary to know that will have an impact on on the future?
What are the individual's needs?

II Sources of information and community services.

What resources within the family are available or could be developed?
What agencies and other resources outside the family are available?
How are they obtained?

III List of alternative solutions: possibilities for action.

Explore new alternatives (brainstorm)
What are the benefits/advantages and costs/disadvantages of each alternative?
What are the implications or consequences of each alternative? Possible problems?
Take into consideration legal implications and effects on

personal development, income procurement, and family/marriage.
What would happen if you did nothing, but continued as you are?

IV Rank alternatives based on your priorities, values, and resources.
"Examine how decision (choice) feels." "Trust gut feelings." (O'Neill, 1975)
Resolve conflict of values among family members and between society and family.

V "Be willing to take the risk. Realize that important decisions require commitment and some continuity in time." (O'Neill, 1975)
Plan to manage by objectives, not by crisis. This takes time to learn.

VI Plan steps to implement the chosen alternative.
Estimate costs and make plans (e.g., distribute food throughout the month).

VII Follow through. "Test the decision." (O'Neill, 1975)
Get others to cooperate, and delegate responsibility to them.
Coordinate activities.
Make sure that the policies you set up are accepted and understood by everyone in the family.
Check up on progress.

VIII Evaluate the plan. "Realize that your decision can be changed or modified. You don't have to stick to it at any cost." (O'Neill, 1975)
Learn from experience.

Techniques and Aids

Financial counseling uses techniques and aids that involve active participation from the client, direct advice from the counselor, use of materials which are readable and attractive, efficient use of time in the session, availability of clear and concise information, and follow-through by both counselor and client. Several techniques and aids which were developed at Purdue to fulfill these criteria are described below:

- A statement which the client signs that signifies that he/she understands the services which the financial counseling service provides and agrees to certain terms. This serves as a contract and a waiver.

- A "current spending" form to be kept accessible for easy and accurate recording of expenditures to be used in planning and proof of purchase.

- An intake form which collects pertinent information in a non-threatening, efficient and structural process. It describes family composition, income, expenditures, assets, legal and creditor action, consumption problems, and related problems. It asks what the client has thought about doing and who else the client has talked with. It defines the long-term goal and the immediate crisis. It identifies problems and starts exploration of solutions which the client has not considered. The advice may take an entirely different direction than the client anticipated.

- An outline of resources including ways to increase income by checking government and veteran benefits or selling assets, to obtain employment initially and after being fired or laid off, and to use non-money sources such as exchanging services or developing skills for work in the market or around home and car.

- A debt management form for juggling payments to creditors, and for offering some hope of controlling the financial situation. When clients ask if they should increase payments when possible, the advice is to put any extras toward saving for emergencies that occur for most people during any week.

- A money control form for managing irregular expenses with irregular income, for weekly prorating to meet monthly expenses, and for directing monthly prorations toward saving for yearly and semi-yearly obligations.

- A budget form for recording current costs and planning revisions. In planning the changes in expenditures, priorities among family members are clarified.

- A money control form which combines the envelope system with a checking account and a savings plan.

- An exercise to handle a checking account and correctly write checks.

- An illustration of a family financial business center.

- Ways to build or protect a credit rating.

- A chart for comparing credit costs.

- A referral list organized by types of problems followed by detailed names, addresses, and telephone numbers.

- A creditor policy outline for counselor reference.

- Material for pointing out disadvantages of loan consolidation and bankruptcy.

- A checklist of ways to reduce costs. One area is to be checked at the counseling session and the remaining areas to be checked at home and returned. This procedure may point out problem areas or, by making several changes, add dollars to other areas.

- An evaluation form to be given to the client and to referral agencies for summarizing income; assets; minimum expenses; debts; creditor and legal problems (current and predicted); consumption and management problems (current and predicted); decisions to be made; information and resources needed to solve problems or make decisions; steps for clients to take; steps for counselor to take.

- A grocery list for buying food with high nutritional values, low cost, and characteristics for lasting throughout the month.

- Role-playing situations for developing skill and emotional support in saying "no" to salesmen, children, or other high-pressure persuaders; arranging with landlords to take payment on a different schedule, and getting children to cooperate.

- Steps for consumer recourse or landlord problems and literature to read (You and the Law, 1978).

Operating a Financial Counseling Service

Methods for operating a financial counseling service for low-income persons have been developed in university clinics, cooperative extension services, consumer credit counseling services, and family service agencies. In university clinics such as the University of California, Long Beach, under the direction of William Buckner, the supervising counselor or professor meets with the client at the initial interview, and students help the client implement the plan or solution. Students or assistant counselors may meet weekly and then less often until the client is rehabilitated and in control of the situation.

Some clinics work only with crisis intervention and not consumer education. Counselors at Consumer Credit Counseling Services meet with clients for varying amounts of time depending on the problem. Volunteers for the credit counseling service, usually women with experience in operating a household, may work with clients over a longer period.

The Cooperative Extension Service at the University of Maryland organized a financial counseling service for low-income families by recruiting volunteers to work on a one-to-one basis in the client's home. The volunteers were professional people who would probably not have done other types of volunteer work. The volunteers turned in progress reports every three months. They gave advice and consultation to the counseling directors. The counselors were given recognition through the news media. Since the community knew what they did, it was protective of them as they worked in the low-income neighborhoods.

The goal of the Maryland program was to work with the whole person in improving money management, consumer buying, and use of community resources. The Maryland project reported success for 62-69 percent of their clients. Criteria for success were changed behaviors described in the following ways:

- Made progress toward their goals.

- Some learning took place.

- Change in attitude took place.

- Family obtained what they wanted. (Tulefson, 1976)

The family and counselor set goals at the beginning of the session. They used the Handbook (Tulefson, 1976) which included topics such as spending plans, expenses, credit, legal, and resources. Budgets were developed, but a cushion of a few dollars was always allowed. The clients were taught to save no matter how poor they were.

The policies of the Maryland financial counseling project were:

1. The referring agency or individual must assure them that both husband and wife want the services of a financial counselor.

2. The husband and wife together must be willing to meet weekly with the financial counselor.

3. The primary family problem must be financial. They are not equipped to handle severe alcoholic or psychiatric problems.

4. The financial counselor assigned will be in contact with the person referring the family, i.e., public health nurse, or welfare worker.

5. They work only with low and low moderate income families. Families eligible for assistance from HELP, welfare, public health service would all be eligible as well as families with annual incomes under $15,000.

6. At the time the financial counselor completes work with the family, a final report on the status of the family will be made to the referring person or agency.

7. There is no charge for this service. (They do charge for financial counseling for higher income groups.) (Tulefson, 1976)

One of the first operational steps of any financial counseling service is to cultivate referral sources. Community agencies and financial institutions will need to be contacted three times in different ways to inform them about the new counseling service and to get their commitment in referring their constituents to the financial counseling service.

Financial counselors may train other professionals and give them expert advice for working with their low-income clients. Financial counselors may be asked to evaluate financial position, problems, and prospects for clients of other agencies such as CETA and rehabilitation programs. A financial counseling program provides a lasting contribution of great service not only to its clients but to the larger community.

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FINANCIAL COUNSELING FOR DUAL INCOME FAMILIES

Margery Kabot Schiller

* * *

What is good and bad, a pleasure and a problem, a headache and happiness all rolled together? Money, of course. For two-earner families the joys and sorrows of this medium of exchange are significantly compounded. The lucky households have trouble finding time to spend their multiplying wealth, or squander money, because dollars are more plentiful than the time and effort needed in comparison shopping and informed decision making. The less fortunate are saddled with the reality that even two paychecks won't make ends meet today. Because the nature of their problems is more severe, the less fortunate dual earners will be our focus today. It should, however, be noted that many of their problems are shared with all two-earner households.

There are two basic types of problems facing these households:

(1) Technical - or directly dollar related problems

(2) Perceptual - or indirectly dollar related problems

Technical problems begin with increased work-related costs that devour a greater percentage of household earnings. Costs for commuting, restaurant lunches, work clothing, etc. may double when a second family member goes to work outside the home. If child care is required in addition, most of that second paycheck or more could go for the composite of work-related expenditures.

Two-earner households also suffer a marriage penalty in meeting their federal and most state income tax costs. If each spouse earned a modest $7400 annually, they would owe a combined total of $2880 in taxes as two single adults, $2948 as a married couple filing separate returns and $2954 as married filing jointly. So they suffer a marriage penalty of $168-174 dollars which multiplies rapidly as income levels rise because of our progressive income tax system.

Allocating money toward goal attainment, or avoiding too much month at the end of your money, can be another challenge for dual-earners. In some months, families paid weekly can have as many as 10 paychecks in 30 days to disburse toward expenses. Despite the fact that all of these funds may be carefully matched to priority family needs, the individual earners may be tempted to spend impulsively in compensation for the sacrifices the dual-earner lifestyle has forced upon them. When these earners also preceive that they earn more discretionary dollars than are actually available, money management problems can grow. A realistic spending plan supplemented by careful record keeping is essential. Even this will only aid in goal attainment if family members learn to communicate effectively to avoid overspending.

Opportunity costs also take their toll. When two earners are away from home for so many hours each week, there is less time and energy for home-related activities. Do-it-yourself activities that helped to stretch modest earnings may now be replaced by purchased services from household repairs to convenience foods. Time may literally become a more precious resource than money in some of these families. In our leisure-oriented society, the pressure to find time for recreation may cause excess spending on household chores, etc. to increase recreational opportunities.

The perceptual problems of dual earners are far more emotionally charged. The connotations of the phrase dual-income family evoke a varied response. While it may mean equality and independence to some people, it is also equated strongly with guilt in others. Will our children be less well adjusted? Will my spouse feel threatened by my earning power? Do I have the stamina to be a good and supportive mate and worker? Will my marriage survive this new stress? Consciously or unconsciously there will be an impact on all aspects of the traditional marriage and family life patterns.

In her book The Two Paycheck Marriage (N.Y.: Rawson Wade, 1979) Caroline Bird suggested that differing values about women's roles are the key to actions and reactions in dual-earner families. She categorizes the couples' values as follows:

1. Traditional Homemakers - Husband and wife agree she belongs at home.

2. Defiant Homemakers - The wife stays home, but her husband wants her to earn.

3. Submissive Homemakers - The wife wants to earn but her husband wants her to stay home, so she does.

4. Reluctant Homemakers - Husband and wife want her to earn but intervening problems like illness and lack of work prevent her from starting an outside job.

5. Reluctant Working Wives - Husband and wife want her to stay home but earns to help support the family.

6. Submissive Working Wives - The wife earns but prefers to stay home; but her husband wants her to work.

7. Defiant Working Wives - The wife works and wants to; her husband objects.

8. Contemporary Working Wives - Husband and wife agree that she belongs earning.

Obviously, for many of these households there is a difference between reality and the ideal world. That can and does lead to problems in which money is often used in a power play between spouses. In the General Mills American Family Report 1974-75, the researchers found that money caused more family arguments than any other subject. This dilemma was compounded by the families acknowledged inability to communicate frankly and freely with other family members about money.

How can we help these two-paycheck families resolve their money problems? A three pronged approach should prove most helpful:

1. Develop and implement good counseling skills including active listening to help the families determine their values about money and the appropriate roles for both spouses.

2. Help these families to thoroughly analyze their total expenses to determine the cost/benefit to two earners.

3. Attempt to increase family communication about money and its function in goal attainment.

Answers to some of the following questions may help these families better understand the impact of two paychecks on their lifestyle. Does interest in the job(s) or lack thereof affect spending patterns? Are reasons for working beyond financial? Do many small leaks thwart an otherwise realistic spending plan? Do both spouses agree on the answers to these questions? Do they seem to communicate clearly and objectively about their financial needs and wants?

In her research, Caroline Bird, found 4 classes of two-paycheck families based upon the way they handled their finances. These are:

1. Pin money couples - To avoid the threat posed by her earning, her money is used for personal incidentals or saved (i.e. hidden)

2. Ear marker couples - To avoid the same threat, her earnings are used toward specific non-essential goals rather than support of the household.

3. Pooler couples - They combine all of the earnings and bill paying although decisionmaking about spending may still be dominated by one spouse.

4. Bargainer couples - They maintain separate paychecks and divide the expenses accordingly.

For effective counseling it will be important to determine which of these categories best describes the client family so the right motivators will be chosen to help that family follow through on the counselor's recommendations.

The expenses of a two-earner family can differ significantly from a comparable one-earner household. Work related costs for commuting, food away from home, extra clothing, and child care are some acknowledged differences. Fig. 1 will indicate many less obvious expenses that must also be considered. If both spouses are strongly career oriented the priority for spending in these categories may be greater than for other needs. Lack of time may also reduce the family's ability to make trade-offs with non-money resources in order to reduce expenses. Changing jobs in order to reduce work-related costs is comparable to changing fixed expenses. While it is, indeed, possible, it can be a long-range task for which the cost/benefit analysis must be carefully calculated particularly in regard to the loss of any essential fringe benefits.

As we noted earlier, a monthly spending plan can be almost worthless to a couple receiving 10 paychecks in a given month. Therefore, communication can be enhanced and follow through more profitable if the monthly spending plan is translated into a payday chart as shown in Fig. 2. This chart should be developed jointly by the counselor and client family with careful consideration given to the due dates of bills and out-of-pocket spending needs as well as annual expenses. It can be far more time consuming at inception, but it will certainly be easier to use. Joint decisions must be made about the method of payment to be used (i.e., checks, cash or credit cards) as well as who will be responsible for meeting each expense. This is where carefully selected motivators can help the family best meet their goals even when money is tight. Using Bird's categories, the astute counselor could use the following types of recommendations:

Pin money couples would use his earnings for necessities with her money for non-essentials or less regular costs like gifts, recreation, etc.

Ear marker couples would use his earnings for necessities with her money for one specific expense like debt repayment or home mortgage, etc., in relation to her priorities.

Pooler couples would combine both salaries toward all expenses with both accepting responsibility for living expenses even if one person handles all of the finances.

Bargainer couples would each choose the expenses for which they wish to assume responsibility in line with their individual motivations.

In conclusion, it should be noted, the counseling process for dual-earner families will undoubtedly be more time consuming than for single-earner households. Yet, their greater earning power can also help them to achieve relief from financial pressures. As with any type of financial counseling, the key to success is working within the client's frame of values while helping to bring their perceptions of the world in line with reality.

Handout #1

TABLE 11.10

Worksheet for estimating net gain or loss from the wife's employment outside the home.

Item		Amount in dollars
Tax deductible expenses		
Transportation on the job, not reimbursed		
Specialized work clothing, including maintenance		
Dues to unions, professional and business organizations		
Tools, licenses, and supplies for job		
Professional and business meetings, conferences, conventions		
Business entertainment, professional engagements, and so on		
Educational expense of maintaining or increasing skills for current job		
Child care during employment (for children under 13 years or handicapped)		
Professional and business publications		
Other specific expenses of producing income		
Total tax deductible expense		
Total times 100 percent minus tax percentage rate with wife employed		
Expenses not tax deductible		
Extra expense of hired household help including house repair and improvement help		
Transportation to work, including parking		
Extra expense for general-wear clothing, including maintenance		
Extra personal care expense		
Employee clubs, gifts, flowers, not required for employment		
Work-related parties and special meal expense (entertaiment value excluded)		
Extra cost of convenience food for home consumption and increased meals away from home, including meals at work		
Income tax		
Total income tax with wife employed		
Total income tax with wife not employed		
Difference--extra tax		
Social Security tax		
Total expenses not tax deductible		
Total expenses related to income production		

Item	Amount in dollars
Income	
Gross pay	
Employer's contributions	
Retirement plan	
Health and accident insurance	
Life insurance	
Gifts, bonuses, and so on	
Value of employee discounts	
Other monetary benefits	
Gross total income from wife's employment	
Net income from wife's employment (Difference in gross total income and total expenses related to income production)	
Economic value of wife's contribution to household work*	
Without wife's employment	
With wife's employment	
Difference = loss in services	
Net gain from wife's employment (Difference in net income from wife's employment and loss in services)	

*See Table 11.3.

Source: Adapted from Emma G. Holmes, "Estimating Net Income of Working Wives," *Family Economics Review* ARS 62-5 (March 1962) 4.

Taken from Home Management Context and Concepts by Ruth E. Deacon and Francille M. Firebaugh, 1975 (Boston: Houghton & Mifflin)

Handout #2

THE PAYDAY CHART

The advantages of these various methods can be combined in a very precise recordkeeping system functional for the strictest budget needs yet flexible enough for less rigid financial planning. While it may take an extra hour or two to develop, it requires less time each month in subsequent recording until a change is required. To develop the plan you need a calendar for the next twelve months and begin by circling each payday. Next determine the due dates of monthly bills and amounts to be paid. Finally, you will break the monthly expenses into the number of paychecks received each month, juggling the bills and expenses to be paid such that you stay within your net income each payday and all expenses have been met by the end of the month.

To allow for those definite, but not monthly expenses (ex. taxes, insurance), suggest a "long term savings account" where the expense amounts can be held until they become due. To determine the amount needed to be set aside monthly, figure the annual expense & divide by 12. Total the monthly amounts in these long term categories and advise your client to deposit this sum of money into a savings account to be withdrawn only for these annual or biannual expenses.

Once you work out the details, it may be easier to draw a simple spending chart that lists each payday per month and the expenses to be met with that income. Then you can apply the same spending habits to the first paycheck of the month, the second and so on. Keep the chart handy so you can double check your plans before shopping and use these pre-set limits to guide you through each pay period. You may even suggest supplementing the plan with envelopes for predominately cash spending, and a checking account for monthly bill paying.

Example of a payday chart: based on bi-monthly paychecks

Total take home income:

earner 1	$400.00		$400.00	
earner 2	75.00		75.00	
	$475.00	1st	$475.00	15th

Expenses to be paid:

rent	160.00	laundry	5.00
electricity	15.00	babysitting	40.00
telephone	12.00	entertainment	8.00
groceries	80.00	personal	10.00
car gasoline	30.00	medicine	2.00
bus pass	17.00	clothing	20.00
car loan	145.00	newspaper	6.00
misc. cash	16.00	car gasoline	30.00
		lunches	20.00
		groceries	80.00
		LTS	160.00*
		ABC Finance	68.00
		Retailer 1	5.00
		Retailer 2	7.00
		misc. cash	14.00

*LTS includes:

Taxes	$20.00
Rent ins.	45.00
Life ins.	10.00
Auto ins.	24.00
Repairs	15.00
Medical	30.00
Gifts	16.00

DISPLACED HOMEMAKERS: ECONOMIC CASUALITIES OF DIVORCE AND WIDOWHOOD

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* * *

Family Financial Counseling Centers have long worked to meet the needs of all segments of the population. Nonetheless, some groups have been more often served than others. My purpose today is not to explore the causes of current market selection practices. Rather I want to focus on one market group that has received some publicity in the past few years not because of any notoriety they have but because of the real needs that they have expressed for services that well trained financial counselors can provide.

Who are displaced homemakers - They have been described by Tish Sommers and Laurie Shields as "those persons caught in the middle -- in the middle of changing family structure, in the middle of new divorce laws and changing societal mores, in the middle of life. Changing aspirations and expectations of women have left them stranded, caught between generations."

In 1978 eleven percent of all family households were maintained by a woman with no husband present. This was a forty-six percent increase over the 1970 rate of such households. At the same time there was a slight decrease in the percentage of widowed households. These households constituted 13.1 percent of all households. Not surprising then is the statistic that divorced households increased from 4.8 percent in 1970 to 8.7 percent in 1978. It is more surprising to learn that over fifty percent of all adult women are working or seeking work. Of these, six percent were unemployed. It is surprising to learn that the median income for the female-headed household is nearly $10,000 less than that of the husband-wife family? Median income in 1975 was $17,200 for the husband-wife household where the wife worked and $14,300 if the wife was not employed. Conversely the median income for the female-headed household was $7,000 when the woman was working; $3,900 when the female household head was unemployed.

Given the above income data, none of us would be surprised to learn that these families have severe financial problems. During the past year, I conducted a workshop series for women identified as displaced homemakers. Approximately one-third of the 130 women participating in the workshops were widows; another one-third were divorced and the final third, while presently married were either separated or anticipating dissolution of their marriage. Their financial status was as diverse as their marital background. Some were AFDC mothers while others came to learn how to best invest the life insurance they collected on their husband's death. All had unique problems and all shared some problems. While each needed some individual and private counseling, many were helped in group sessions. A short follow-up contact to confirm they had identified the best solution to their personal problem was all that was necessary.

Perhaps before giving a few specific cases, I can share with you the purpose and background of the "Coping With Financial Stress" workshops. The workshop was one of a series held for self-identified individuals responding to a general announcement of the series designed for displaced homemakers. The other three workshops included, Coping With Stress, Coping With Legal Problems, and Identifying Job Skills. The workshops were independent of each other although many women completed the entire series. The sessions began with a general discussion around the base topic and was followed by small group workshops where individuals identified specific problems and sought solutions within a group led by a facilitator.

Without exception, these women were seeking information on new credit laws and how they could best use credit in their new situation. Many had used credit for years. Some had abused credit for years. But all had questions about their rights, their responsibilities, how they could get more and how they could reduce the amount they had already used. For those women whose marital status had recently changed or who were contemplating change, a real need to know their legal rights and responsibilities existed. Some could share their experiences of having been forced into bankruptcy when their marriage ended and they were left with considerable debt and no viable means of support. Others could present solutions they had worked out with former mates to insure that debts could be repaid after marriage dissolution. These discussions invariably led into discussions of forms of ownership and the effects of death and marriage dissolution on ownership of property.

A pressing problem more frequently expressed by the widow than the divorcee was that of obtaining adequate health and life insurance at an affordable cost. Many women with long histories of bad health had found to their dismay that with their husband's death, they and their children were no longer able to continue the group policy with the former breadwinner's employer and worse when they checked with private carriers coverage, it was either not available or was not affordable. Many hours were spent in checking insurance company policies and in working with an insurance advisory board to determine what solutions could be used. Finally, each session used some time to establish the principles of setting up a financial system for the home including establishing definite goals, a budget and a review plan for measuring success. Most of the women, while they paid the family bills and managed the family budget for years, had never formulated a system for organizing these functions. For longer term cases, these were the ones that most frequently called for individual sessions.

Most of these had fairly serious problems due to insufficient income to maintain their standard of living, a lack of realistic planning given their current financial status, poor management practices in the past or a combination of all of the above.

Let me give some specific cases that exemplify the types of problems of the displaced homemakers worked with during the past year. Let's begin with Karen a recent divorcee of 27. Karen was married for five years and has one child who is less than a year old. She admits that her daughter was a last attempt to reconcile with her husband. Now she recognizes that as a cruel price to have to pay when she was fairly certain that her marriage could not be saved. Now with a nine month old baby she finds that it is difficult to work part-time, attend school part-time and be a mother. In addition to the time strain, she really does not have the money to pay a babysitter and yet it costs as much in transportation to take the baby to relatives to be cared for as it does to leave the baby at the school nursery. The University Nursery charges $1.50/hour for students.

While Karen's husband is supposed to pay child support, he has been unemployed for the past three months and is presently living with his parents. Karen feels sure that if and when he returns to work, he will make the child support payments. In the meantime, she has applied for AFDC but the forms are still being processed. Karen's part-time job scarcely pays enough to cover her monthly rent. Much of her food costs are being covered by her parents as are most of her transportation costs. Karen's parents are not anxious to have her move home although they are providing most of her meals and doing child care for her. She would like to move closer to her parents but any housing in their neighborhood would increase her rent by at least one-third.

Karen has begun to worry about what she will do when she graduates at the end of the year. Until her divorce, she had looked on her degree just as an opportunity to take a subject that she enjoyed and that broadened her horizons. When she thought of using her training at all, it was a pipe dream or fantasy where she and her husband would establish a boutique that would somehow combine their diverse interest. Now that she realizes she must support herself and her child, she is panicked about her job opportunities. She is considering continuing graduate school but has no idea in what she would major. Karen's inability to make decisions or at least her unwillingness to do so has created many of her current problems. Her failure to anticipate some of her current problems is another characteristic that all of us providing financial counseling find frequently in clients.

Because she was bright, young and ready to discuss her problems, Karen quickly assumed responsibility, completed assigned tasks and within a few months had accepted a drastic change in life style. She is living on a very tight budget. But now she laughs as she displays new self-confidence. Her limited food budget meant the abolition of all snacks and she found it easy for the first time in her life to lose a needed ten pounds. To keep travel cost to a minimum, she is walking more. She did find a small apartment near the University. By eliminating transportation costs, she just barely affords the rent. At the same time, she is closer to her parents and finds that many former trips were more to visit them than to go to school. She did graduate and has decided to work before getting another degree that she wouldn't be sure what she could do with, or even if it was preparing her for a career she would like.

As I indicated, financial management was one in a series of four workshops and Karen needed and used information from all four. Specifically, she needed help in developing a realistic budget. At first she was certain that her income was so low that she knew where it all went. Karen's reduced income was new, however, and while for one month she could account for most of her expenditures, an exploration of current and expected expenses for the next quarter quickly showed the inadequacies of recall and pointed up the need for a record as well as a plan.

An important factor in counseling a client such as Karen is to help them find the emotional support for the changes they are forced to accept if they are to gain control. A couple can try ideas out on each other and help each other decide what is realistic. The displaced homemaker may have relied heavily on others for this support in the past. We found that most of those women attending the workshops lacked this reference person. Many had others telling them what they should be doing but few had someone to listen to what they thought and to react to the probable outcomes without putting them down as an individual.

Jane arrived for counseling more typically as the overextended credit user. After 15 years of marriage, Jane had become quite accustomed to using charge cards for most purchases. In her divorce, Jane got custody of four children, the house with mortgage in tact and although her husband was ordered to pay bills, he left town with a barrage of unhappy creditors coming after Jane. In addition to these problems, Jane was an alcoholic. Fortunately, she had a close sister that was able to persuade her to tackle the alcoholism problem. From there the unit counselors recommended the use of financial counseling to help her gain control of that aspect of her life.

Like Karen, Jane had begun a college education prior to marriage and felt that to ever be satisfied with a future career, she needed to complete her degree. Her biggest and most difficult but necessary decision was to sell her house. She used the proceeds to invest in her education, a life insurance policy to protect the children in the event of her death and to repay the creditors. On graduation this summer, Jane had a job lined up as a counselor in an alcoholic treatment center.

Many women today find that "getting" the house after a divorce may be a mixed blessing. Most can no longer afford its maintenance even without a mortgage. Some find the decision to sell impossible to accept and as a result, their homes may deteriorate in value when they expect it to appreciate like homes around them. This is an area where many women need a non-biased opinion. Some of the women I worked with had been assured that they would never find less expensive housing or acceptable housing.

Case three, Barbara was in her early fiftys. As a mother, she had accepted the reality of her divorce and was adjusting well. She had a full-time job as a bookkeeper and when she first asked for an appointment, she indicated that she didn't have any serious problem but just wanted to discuss a few possible alternatives if I could spare 15-20 minutes. Actually it took most of that for Barbara to explain her current situation. While her income was adequate and her exhusband faithfully paid child support, Barbara's problem was one frequently expressed by displaced homemakers, that of guilt in denying their children anything. It took some time for Barbara to accept that child support payments indeed were that. She had been trying to cover all living cost from her income and to use the child support money received for each child just for clothing and school needs. The children had quickly caught on to the game and were making demands that "their" support payments provide them with sports tickets, new clothes, etc., etc.

Barbara had been operating without a budget and she really did not want to "burden" her children with her financial problems. After discussing this privately and then in a group of displaced homemakers, Barbara decided to open up the family's financial situation to the children and have them share ways to solve the problems. Fortunately, the children (all teenagers) understood the seriousness of the inadequacy of Barbara's income in meeting living expenses and were willing "in spirit" to have the support payments used for food, utilities and car expenses. When they realized the sacrifices their mother was making, they accepted the idea that they could also make some sacrifices.

The increase in fuel and other utilities has impacted especially hard on the widow whose income has remained relatively stable. Many of these women reported having large electric as well as gas and oil bills during the winter months. Marilyn had been a widow for seven years. She had been most thankful that her husband carried good insurance and she had maintained a large suburban home since his death. But in recent months as utility costs rose each month, she was beginning to feel pinched in meeting monthly living expenses. While she no longer needed the space of her five bedroom home, she had strong feelings against moving to something less expensive. In assessing her problem, Marilyn recognized that her utilities were very expensive for a single person living alone. In evaluating ways of reducing a $150 monthly electric bill, Marilyn revealed that she was actually afraid to live alone. She kept most of the lights throughout the house burning so that passersby would think a family lived in the home. Marilyn felt that without her large home, her adult children would not be as likely to visit for extended periods of time. Through support group sessions, Marilyn was able to identify possible housing alternatives as well as extend her reference group. This gave her the courage to begin to make changes in a lifestyle that she had clung to since her husband's death.

Finally, we must be sensitive to reactions of the client to the counselor's sex. Some of the women felt very strongly that their current lack of knowledge concerning financial matters was because their husband had dominated those issues in marriage. These women were adamant that they would not accept counseling from a male counselor. In these cases, the client was referred to a woman. In those cases where a female counselor was not available, it is important that the male counselor make his role as advisor clear. The client must understand that they make the decision and they learn the reason for each recommendation.

Other women were equally adamant that only a man really understands finances. These women may need referral or the counselor may have to prove her qualifications. In either case, the counselor must be open to the feelings of the client. The counselor must not personalize these feelings but help the client understand the foundations for the feelings and either come to grips with these or accept referral.

If our agencies are to meet the needs of these women, we must recognize their unique problems. We will have to actively take our service to them. These women frequently did not identify a need for a service provided by a social agency. Rather they verbally stated they weren't poor, they had not mismanaged their money and so they did not need the skills of a financial counselor. At the same time, they expressed a need for help in planning their present and future financial situations. They asked for assistance in designing budgets for their families. They sought help in establishing short and long term goals realistic to their income potential. They wanted information on insurance alternatives and ways of determining their insurance needs. In actuality, they are looking for a broad range of financial counseling services although many did not seek debt management.

TEACHING CHILDREN ABOUT MONEY

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* * *

Description

This workshop will address the issue of parental responsibility in teaching children about money. Topics to be considered will include: expenses incurred by children at different ages; means by which children and teenagers can obtain money; opportunities for children to make economic choices; learning money management skills; and co-signing for credit loans for teenagers. The consequences of using money as a reward for school achievement will be examined. Emphasis of the workshop will be on teaching the concepts of planning, saving, allocating, spending and evaluating to develop money management skills for the consumers of tomorrow. This material is suitable for use both by financial counselors and parents.

Concepts

Limited Income
Unlimited Wants
Needs vs Wants
Priorities
Consumer Choices
Responsible Decisions

Goals
Planning
Saving
Allocating
Spending
Evaluating

Generalizations

- Money management is learned behavior.
- Children learn money management when given the opportunity to make economic choices.
- An allowance in the family budget helps children develop money management skills and learn the economic principles of limited income and unlimited wants.
- Responsible parenting includes teaching children about money and to be responsible consumers.

Behavioral Objectives

- Identify expenses for children at different ages.
- Discuss means by which children and teenagers can obtain money.

- Evaluate the allowance system and the handout system as alternatives for parents to give money to children.
- Project the consequences of using money as a reward for good grades or acceptable behavior.
- Consider the role of the financial counselor in assisting parents to develop a total family budget.

Introduction

The United Nations has declared 1979 the INTERNATIONAL YEAR OF THE CHILD. Therefore, it seems appropriate that the topic of children and money be included in a National Conference on Financial Counseling. As financial counselors we need to be aware of the role of money within the family, as well as the financial needs of the various family members. In order to assist clients to develop a family budget; to enter a debt repayment program; or to resolve financial conflict, we must consider the TOTAL family.

We need to include the part-time earnings of teenagers in estimating the family income; consider the expenses of children and teenagers in setting up a family budget; and be prepared to offer counseling to parents who want to teach their children about money. Particularly during a financial crisis or difficulty, parents need to know how to discuss money with the children and listen to their ideas on how to reduce expenses. When children are involved, they can come up with excellent suggestions and will cooperate.

Obviously, the explanations need to be tailored to the child's level of understanding. Without any discussion about the family economic situation, the child may imagine things are worse than they actually are, they may fear having to move from their home and neighborhood, or believe their father will be taken away to jail! Children "pick up the vibes" of their parents anxiety when there are financial problems and they may even feel that somehow they are to blame.

Many of those attending this Financial Counseling Conference are wearing "two hats"--financial counselor and parent. It is hoped that this workshop will provide a learning experience that will enable us to grow professionally as financial counselors and personally as parents.

Why Teach Children About Money?

Children are exposed to money at a very early age. Before they enter school they are aware that money is used to purchase goods or services. While they are still too young to realize income limitations, they are bombarded by commercials on television and advertising in magazines, movies and newspapers. They also realize that there are ways to buy items other then with cash. Even very young children will suggest that you . . . write a check, or . . . charge it!

Children see things THEY would like to purchase in supermarkets and drug stores. Management is quick to pick up on this built-in consumer market and display all the "goodies" either on low shelves where children can slip them into the shopping cart or right by the checkout counter. If parents are tired and hurrying home, it is easier to pay for the extra, usually poor quality, items than to argue with the child.

By providing children with money when they ask or plead, children will learn that you get what you want by pleading, whining or by acting cute; the list of methods is open-ended but can be highly developed. Some of this behavior may be seen in adults who found it to be successful as children and now continue with their spouse.

Children and teenagers have both school and personal expenses, although we may not realize the total weekly amount when funds are provided on an "as needed" basis. As with adult consumers, children's expenses are daily, such as school lunches; weekly, like class dues and Sunday school contributions; and expenses are periodic, such as small gifts for friends' birthday parties. Children, too, have "flexible expenses," as do adult consumers. Movies, skating, books and small toys, plus ice cream or other treats, are all non-essential, but things children enjoy.

Just as food and clothing expenses increase, both fixed and flexible expenses increase as children grow into teenagers. If their education includes consumer economics and money management, they may avoid financial problems later in life. Parents have many opportunities to teach children the basic concepts of planning, spending and saving, so they may function effectively as adult consumers.

Consider an Allowance?

Parents have traditionally used two approaches in providing money for children and teenagers: the "handout system" considered by many to be the least expensive; and the "allowance system." Often clients tell a financial counselor that they cannot afford to give their children a weekly allowance because of other financial obligations. Actually, when the expenses are recalled from the last week or two, parents generally are shocked at the total. Very often the amount of money given "as needed" exceeds that of a reasonable allowance.

Money provided in the "handout system" eliminates the opportunity for the child to learn to plan expenses, allocate funds or set aside money for use on another day. A valuable lesson in money management can start by simply giving the child one week's lunch money and permitting him/her to take from the total each day to purchase the school lunch. Obviously, the expense to the parents is no greater than if "handed out" daily, but introduces the child to handling money. Parents often hesitate for fear the child will misplace the money or forget. Again, this is a chance to allow the child to be responsible for his behavior with money. If the child forgets to take the lunch money and even missed out on lunch, he/she would not suffer any permanent damage. If the money is lost or spent on something else, the child should give up some play or television time to prepare a very simple lunch from home.

Once parents are used to the idea of permitting the child to handle some money for expenses they are already paying for, it is a logical step to include "something extra" so that the child can learn to make choices for small purchases or save for a larger goal. An allowance also puts the burden of decision on the child, relieving the parents of having to evaluate every request for money.

How Much Allowance?

The best way to decide on the amount of a weekly allowance is through a family conference. This provides an opportunity to increase communication skills about money while the decisions are fairly simple. Factors such as the age of the child, family size and income, location and culture will help determine the amount of the allowance. A good "rule of thumb" states that, to be effective as a tool to teach money management, an allowance should be LARGE enough to cover the child's basic needs plus "extra" to permit the opportunity to save or spend, yet SMALL enough to require choices. As adults, we need a number of economic skills, including rational decision-making. Since this is a learned skill, the child or teenager needs opportunities to experience choice and make economic decisions which can increase with time.

The amount of the allowance should be reviewed and adjusted as needed to be sure it is in keeping with the child's expenses. Parents may not realize just how many expenses the child has on a regular basis. As the child grows, he/she should assume more responsibility for purchases and part of an allowance may be "ear-marked" for future use, such as gifts, vacations or a special item. This is not to be confused with giving children money for their "piggy bank." When children are given money with no responsibility for purchases, or chance to make decisions, all they learn is the simple task of dropping coins into a slotted space. This is hardly a consumer skill!

The timing of the allowance can also lengthen as the child grows. The allowance may need to be given in very small amounts about twice a week for the early elementary child; weekly for the older child; and perhaps monthly for the high school teenager. Many teenagers find they can do more with their money on a monthly basis, particularly if the allowance now has expanded to include clothing, personal expenses and entertainment. A monthly allowance is not unrealistic for older teenagers as they will have to budget expenses on a quarterly or semester basis in college.

Extra Earnings

Children and teenagers can supplement their allowance through "extra chores.". However, it should be clearly understood just what are the normal responsibilities as a family member. Certainly, the child cannot be paid for carrying out his assigned tasks, such as making the bed or setting the table and must understand that all members of the family have routine responsibilities. Children can supplement their allowance by "contracting" with the parents for extra chores such as cleaning the garage and removing trash, washing windows, ironing, etc. This may be the only way the family can provide both extra money for larger items and special events and also obtain needed repairs and home maintenance such as house painting and repairing screens.

Money As A Reward

If we are to teach the concepts needed for sound money management, we must examine our values. Our own attitudes about money will affect how our children develop their value system. By using money as a reward for acceptable behavior, we are saying, "I don't expect you to act as a responsible person, so I must pay you to be good." There are other ways to reward a child for being especially good, including the use of another resource--TIME. Too often, we may substitute MONEY for TIME. This sends a message to the child that MONEY BUYS--not only goods and services, but love, approval and affection.

Many parents fall into the trap of using money as a reward for grades. A dollar for an "A" has been a common practice. Does this mean that "B" is worth 75¢, a "C"/50¢ and so on? How do you distinguish between the different courses and members of the family who have different scholastic abilities? By rewarding a child with money, we deprive the child of the internal reward from achievement. The joy of accomplishment and the satisfaction from learning can be lost in the powerful reinforcing qualities of money. We can encourage school work by displaying a genuine interest and praising the child, rather than handing over some money while we go back to our own lives.

Credit for Teenagers

Children may have already been introduced to credit if they have ever received an advance on their allowance (cash credit), or paid small sums of money weekly after the parents purchased a large item (sales credit). However, in order for a young person to obtain credit from a bank, local merchant or department store, the person usually requires a cosigner. This presents a problem for the parents unless they fully understand the obligation. As financial counselors, we must emphasize that cosigning means the parents will assume the payments if the teenager is not able. While this may be the only way the teenager can obtain consumer credit, the parents must be sure that their family budget could carry the additional payment, if necessary. Because of the high default on student loans, many banks are now requiring parents to cosign prior to giving a student loan. This situation also requires a family conference so that both the parents and the student fully understand the financial obligations. As financial counselors, we must be prepared to help our clients to know the ramification of cosigning.

Opportunities For Learning

Money management is learned behavior - not an innate response. But in order for learning to take place, there must be opportunities for economic decisions and experiences. The child who has supervised chances to manage small amounts of money, learns basic skills. As the amounts of money increase, the skills also increase allowing the child to develop additional consumer skills.

This is not to say that the parents must abandon their responsibility and let the child make all the decisions, rather, they can "structure" the setting to provide opportunities for children to make choices and learn money management skills. A child is hopelessly confused by the vast number of selections possible in a department store or toy store. This is somewhat analagous to asking a young child what flavor ice cream he/she would like in a Howard Johnson's Restaurant with all 28 flavors!

Parents can assist children in learning the decision process by providing selected alternatives: Do you want strawberry or vanilla ice cream as an example. Children can also choose the vegetable for dinner from a suggested list. To avoid the "sugar cereal trap," children can choose from two or three cereals as offered by the parent. The child may be so involved in the decision and selection process that he ignores the "chocolate smockos" that have been carefully placed on the low shelves.

William Glasser, a noted behavioral psychologist, suggests the concept of "forced choice" to permit the parent to structure the setting, yet provide the child an opportunity for decision. Glasser gives an example of asking the child, "Do you want a whole glass or half glass of milk?" If the child insists on a half glass, you put the milk in a larger glass!

The Home As A Learning Center

Many adults today seek financial counseling because they have not yet learned how to function effectively in our economic system. They have ignored the basic principle that states that income is limited while wants are unlimited. Furthermore, many adults have not learned that money is a resource that once spent, cannot be recovered; that buying involves a decision process; and that we must be responsible for the consequences of our behavior.

The home provides the child's first exposure to the marketplace and many opportunities to learn money management. This workshop has been an attempt to suggest ways in which parents can teach children the concepts of money management. A child who is provided an allowance and given the responsibility to take care of weekly obligations and decide how he/she will spend the discretionary funds is learning the basics of money management.

As financial counselors, we may need to suggest the allowance system in working with families and remember that certain expenses will occur for children and teenagers. Many times, parents who are concerned at the moment with a financial crisis will not remember to include the school and personal expenses in their family budget. For parents who are resolving financial problems and attempting to reduce expenses, an allowance for children and/or teenagers also relieves them of the pressure associated with having to say "no" or evaluate each request. It allows each member of the family to be responsible for certain budget items and suggests ways in which the family could spend any extra money.

The University of Texas Study of Adult Competencies (1975) indicated that consumers lack the necessary skills involved in money management. Parents can assist their children to become responsible consumers by involving them in the family economics and permitting them to take the responsibility for small amounts of money as a learning experience.

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BUDGET HINTS FOR STUDENTS

MONEY MANAGEMENT...is planning and using the funds we have to get the things we need and want. It is the process of making choices, developing a spending-plan, carrying out the plan, and evaluating the results.

MONEY...is a resource, not an end in itself. Consumers have limited resources, and UNlimited wants. Sound money-management will help achieve the maximum satisfaction from the available funds.

* * * * * * * * *

SOURCES OF INCOME

ALLOWANCES...usually given by parents to cover some personal expenses
- Should be regular in amount and time
- Should be large enough to cover expenses for which the student is responsible
- Should be small enough to require choices

CASH GIFTS...may be received on birthdays, or special occasions
- Small cash gifts for "extra" spending, something you want now
- Large cash gifts for savings for future goals, travel, college hobby equipment, etc.

EARNINGS
- Part-time jobs...baby sitting, errands, paper route, local store
- Home chores...beyond normal family responsibility, such as, painting, washing windows, ironing, "special jobs

SPENDING PLAN

FIXED EXPENSES...occur regularly, daily, weekly, monthly, such as:
- School lunches
- Transportation
- Contributions
- Club Dues
- Savings
- Other

FLEXIBLE EXPENSES...occur irregularly, usually items that can be put o may be "desirable" but not "essential", such as:
- Movies
- Hobbies
- Snacks
- Books, Magazines
- Gifts
- Grooming Aids
- Clothing
- Sports
- Other

CARRYING OUT THE PLAN ..Record the ACTUAL amount spend under fixed and flexible expenses and total for each budget period.

EVALUATE THE PLAN...Compare ACTUAL amount spent with planned amount for each catagory. Revise and adjust as necessary.

SUGGESTED SPENDING-PLAN

	Week One	Week Two	Week Three	Week Four
INCOME				
Allowance				
Gifts				
Earnings				
TOTAL				
FIXED EXPENSES				
School Lunches				
Transportation				
Contributions				
Savings				
Club Dues				
Other				
TOTAL				
FLEXIBLE EXPENSES				
Movies				
Hobbies				
Snacks				
Books,Mag.				
Gifts				
Grooming Aids				
Clothing				
Sports				
Other				
TOTAL				
ALL EXPENSES:				
BALANCE				

EMPLOYEE ASSISTANCE PROGRAMS IN INDUSTRY

Rodney C. Brown

Pastoral Counselor, R. J. Reynolds Industries

* * *

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How Effective are Employee Assistance Programs?

No business or industry is immune from having its share of employees whose personal problems interfere with their effectiveness on the job. That ineffectiveness is costly to the individual and his family as well as to the employer.

What is an Employee Assistance Program?

An employee assistance program (E.A.P.) is designed to provide help to employees concerning their personal problems so that they may recover satisfactory performance.

Reasons for Having an Employee Assistance Program?

1. It is cost effective. The employee is as interested in maximizing his career potential as the employer is interested in maximizing the return on investment. It is "good business" to reduce absenteeism, accidents, turnover, damaged materials, customer complaints, and employee grievances. It's good business to improve morale and build loyalty.

2. It is being a responsible corporate citizen. The company is taking appropriate action by obtaining necessary assistance for employees and their families who suffer from personal problems. The company utilizes a variety of community agencies in order to locate the best help. Desperate social problems are defused.

3. It is concern for the human being. Many of those who are hurting don't know what to do or where to get help. "Good people go down the drain for want of getting to the help that is available!" explained the Personnel Manager of Reynolds Tobacco as reason for initiating the alcohol intervention program. An employee assistance program is an avenue of providing that help. The company is saying, "It's OK to get Help."

4. It alleviates the guilt for having to fire, demote, or transfer an employee. Before such extreme disciplinary action occurs, management refers the employee to help in order to resolve the problem that is interfering with work. The burden of responsibility is then placed on the employee to follow through with whatever action is necessary to correct his problem. It is a positive approach rather than punitive only.

5. It provides consistent handling of work-related problems. It gives the supervisor an alternative to covering up or wondering "what to do with Joe?" Inconsistency was our problem!

6. It reduces the need for redress. "As a general rule we know that the sooner we can identify and counsel with the employee regarding his job concern, the probability that the employee will seek redress through governmental regulatory or legal forums is reduced significantly." That statement was made by the Corporate Director of Personnel Development, RJRI in reference to the necessity for effective job-related counseling. He was not limiting his remarks to employee assistance counseling per se but was including its contribution.

What Kinds of Personal Problems Appear in the Workforce?

Characteristics of Selected Occupational Programs - a study of 50 participants from each of 15 companies across the nation - including RJR's Program - revealed the following information:

Client Problems
at Time of Program Entry

Problem	No. of clients	Percent of total clients
Alcohol problem	405	58
Marital/family problem	97	14
Multiple problems*	70	10
Psychological problem	42	6
Financial problem	38	5
Other	31	4
Legal problem	7	1
Medical problem	4	1
Druge Abuse	8	1
Total	702	100

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*The category of multiple problems included those clients with more than one major problem (e.g., both financial and psychological problems).

The above research was conducted by The Human Ecology Institute, Raleigh, North Carolina, for the NIAAA and Association of Labor-Management Administrators and Consultants on Alcoholism (ALMACA), 1976.

How Widespread in the Workforce? (See RJR charts attached)

Six percent to 10% of any industrial workforce abuse alcohol and other drugs to the extent work is disrupted. Conservatively, another 10% of the workforce are sub-par performers because of the "fallout" from other personal preoccupations.

How Costly Is It To Do Nothing?

Problem drinkers cost an organization approximately one-fourth of their average annual salary per year according to the National Council on Alcoholism. A very low guesstimate for the annual cost factor for problem employees in the workforce would be to take the one-fourth fraction of the average annual wage and multiply the figure times 10% of the workforce. However, I do believe it it more realistic to assume that another 10% of the workforce waste possibly one-tenth of the average annual salary because of personal concerns other than alcohol/drug abuse.

When To Intervene?

Personal lives of employees and families are a private matter and are not the business of the corporation. But, when are personal problems the company's business? Only when job performance, attendance, conduct or safety is jeopardized does the company have the right and responsibility to intervene.

Which Avenue of Intervention?

Differing theories exist as to which avenue of intervention is appropriate for management to follow when work is adversely affected by an employee's problems:

1. One approach discounts the effectiveness of an E.A.P.
   a. Stick to the job facts only, it would advocate.
   b. Never get involved in the personal stuff because it is none of the company's business. An E.A.P. may get the company to meddle in personal affairs and it may delay the disciplinary procedures. Besides, the sooner a company gets rid of its problem employees the better. The company is not in the salvage business.

2. Another approach would refer all job problems to the Employee Assistance Coordinator (E.A.C.).

3. Have a policy statement which defines problem drinking and other drug abuse as treatable health problems. The policy statement needs to include the company's concern when health and behavioral problems interfere with work; and the company's right and responsibility to intervene. Early identification, referral to available help, and a high degree of personal initiative on the part of the employee are important ingredients. A statement about confidentiality is crucial. Also, disciplinary measures will be applied consistently according to standard corporate procedures if job performance, attendance, conduct or safety is jeopardized.

4. Affirm the supervisor as the key to a successful program. Without his cooperation and referrals the program won't work.

5. Provide management training concerning the company's need, management's commitment, the policy statement, and the supervisor's role--when to intervene and how to refer.

6. Select a trustworthy program coordinator. The individual must be a person with integrity, competence, training, patience to listen, and compassion sufficient to accept persons in all walks and predicaments. He must also have the ability to be firm and confrontive, to function in the midst of conflict and with persons from different power persuasions.

7. Evaluate the program and its results. Follow up with employees who have been referred to the program and track their progress in terms of performance, attendance, and conduct. Measure results at least once a year. Compare results in order to determine program effectiveness and changes that may be needed.

Confidentiality

Confidentiality is essential. Privileged communication between counselee and counselor is a ground rule that must be honored by management and maintained by the counselor/coordinator. However, when job performance and conduct have been disrupted, management and fellow employees may observe manifestations of personal problems at work. Management needs to consult the counselor concerning that behavior on the job. Nevertheless, the human being must be respected and the content of the counseling interview be protected.

Occasions will arise in the interest of both the employee and the organization when records of the time and date of scheduled appointments will be kept for those who need to know, e.g., a supervisor whose employee is scheduled for interviews on company time. Is the employee to be paid for the time when on company premises? Is the employee to be excused but without pay when scheduled off company premises? Is the interview mandatory because it is a condition to the employee's "o.k. to return to work"?

   a. Stick to the job facts only, it agrees.
   b. Stay completely out of the personal stuff.
   c. Refer all job problems to the E.A.C. for diagnosis. The diagnosis belongs to the E.A.C. It is not the supervisor's business. This approach is what I call a "purist" interpretation of the employee assistance philosophy.

3. Reinforce the supervisor's role is a third approach.
   a. Stick to the job facts, it concurs with 1. and 2.
   b. Attempt to pinpoint job-related causes in order to resolve. The supervisor is the expert in job performance. He knows what improvements are needed. But,
   c. If and when contributing factors appear to be health and behavioral-related, or are elusive and recurring, then refer to the E.A.C. for diagnosis and any additional recommendations.

Varieties of Occupational Programs

Some types of occupational programs are "Broad Brush" in contrast to the more sharply-focused "Substance Abuse" or "Alcohol Recovery Programs." R. J. Reynolds has features of both.

The advantage of the "alcohol" program is that it identifies the specific problem and calls it what it is, namely, "alcohol abuse," etc.

The advantage of the "employee assistance" type program is its intent to provide earlier intervention. The supervisor does not wait until an alcohol problem is obvious before he uses the procedures to refer to the Alcohol Recovery Program. Rather, at the first sign of slipping work performance, attendance, or conduct, the supervisor is to intervene on that basis alone and refer to the E.A.C. for problem diagnosis.

Employee assistance programs are called by many names: Personal Assistance Program, Troubled Employee Recovery Program, Employee Counseling Service, Employee Health Service, Industrial Chaplain Service, Alcohol/Drug Abuse Recovery Program, Substance Abuse Program, Program for Chemically Dependent Employees, etc.

Some programs counsel in-house. Others refer out-house.

Essentials for Establishing an Effective Employee Program

1. Utilize knowledgeable and experienced occupational consultants. The state department of human resources, or its equivalent in each state, may be contacted for information and a list of resources.

2. Obtain top management's commitment. Without it, the program won't get aloft; it will evaporate; or it will be powerless.

In such cases, release of information to another person needs to be understood between employee and counselor.

Only in the case of some extra ordinary circumstance as "imminent danger" may an exception be made to privileged communication. The balance point among the elements of trust, motivation, manipulation, and disaster is a most delicate point. Violation of confidence is a serious matter because it involves a breach of trust. It may also be a matter of legal liability. When "imminent danger" is the situation, the counselor has to weigh the risk by taking into account the rights of the counselee-employee and the potential consequences to the safety of others--family, fellow employees, the company, etc. How much can the counselor defuse the danger and reduce the risk?

Doesn't A Person Have to Reach His Bottom First...?

Human pride, the male ego, and the problem of denial are realities. We like to believe that we "can pull ourselves up by our bootstraps" and solve our own problems. It is an admirable and cussed trait. To admit we have problems that we can't handle might be viewed as a sign of weakness. The fact is, however much the employee has the will power to shape up, he tries and tries--but doesn't succeed--according to his job record.

The consequence of that inability to suceed will, in time, render oneself unemployable. Denial of that eventuality is not only detrimental but self-defeating. Therefore, it is in one's self-interest to obtain whatever assistance is necessary to render oneself employable. Confrontation with facts is therapeutic.

Sometimes, physicians have difficulty grubbing out the real problem and focus instead on spraying the underbrush--"acute anxiety" "recurring depression" "situational mal-adjustment" "gastroenteritis." They are off-shoots but not the tap root.

The supervisor, too, may fall into the conspiracy of the cover-up. "I don't want to get him into trouble. He's a good ol' boy." "He's not a skid-row type." Furthermore, the supervisor wants to be well-liked as do the rest of us.

The family in their desperation may not know where to turn except to phone in alibis. So the problem progresses until we succeed in helping the employee to death.

Then gradually word leaks out. And it's amazing how much "Joe's" associates and family and employer are aware of significant pieces--which we have all successfully avoided facing. After all, doesn't a person have to reach his bottom before he can be helped? Joe's bottom was six feet under. Woody's bottom was "vegetable" status--at age 51 according to his speedometer--but age 85 according to his tachometer.

Don'ts and Do's for Supervisors

1. Do confront on the basis of work performance. Pinpoint the job facts and job behavior. The supervisor is the expert when it comes to the job--what gets the job accomplished and what needs to be improved.

2. Don't be a diagnostician. Leave the medical diagnosis to the professionals.

3. Consult the E.A.C. or the medical department. When contributing factors to the unsatisfactory performance, attendance, or job conduct appear to be other than work-related, consult the M.D. or E.A.C., describe what has been happening on the job, and refer the employee as appropriate.

4. Don't leave it up to the employee simply to shape up or be shipped out.

5. Tell the employee exactly what he must do to improve his performance to be a satisfactory level. Offer specific help and refer him.

6. Document specific work-related facts. Include help provided and whether the employee accepted or refused. State that the employee was referred to medical and/or to the Employee Assistance Program.

7. Follow up with the employee as often as necessary concerning his work progress. At the first sign of any deteriorating performance related to possible health or behavioral problems, repeat the procedure by consulting and referring to the E.A.C.

How Effective are Employee Assistance Programs?

Reports from various employee assistance and alcohol programs indicate that 50% or more of the employees improve or recover a satisfactory level of performance; 10-20% remain the same or flounder; and 5-25% range from unsatisfactory to unknown or decline treatment. RJR was one of 15 companies from across the country to participate in a study to determine the effectiveness of occupational programs. It was sponsored by the NIAAA in 1976 and conducted by the Human Ecology Institute.

Our own most recent evaluation of the current status and long-range effects of our Alcohol Recovery Program is based on tracking performance, attendance, and conduct records on 416 participants who have been referred to the ARP since January 1970. The study was updated in January 1979.

Approximately 94% of the employees who came into the program arrived with some kind of a performance problem.

We did not evaluate those employees who were introduced to the ARP during 1978 and the temporary and seasonal employees because of the short-term effects. Below are the results of remaining 347 employees:

36	(10%)	Retired (Normal, Early, Disability 1970-1978)
13	(4%)	Resigned (Improved or Unimproved 1970-1978)
144	(42%)	Satisfactory Performance, Attendance and conduct (during the entire year 1978)
53	(15%)	Unsatisfactory Performance, Attendance or conduct or Questionable Absences (1978)
101	(29%)	Discharged or Died from Effects of Alcohol (1970-1978) (45 Alcohol-Related Deaths)

347 of 416 Evaluated

Those persons who have improved over the years more than compensate the company for the cost of providing employee counseling programs.

FINANCIAL TRAINING FOR HOUSING COUNSELORS: A FEDERAL AGENCY RESPONDS

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* * *

Whenever we work with people who have needs or problems, we either help meet their needs and alleviate their problems or we help aggravate those needs and problems.

Financial training for housing counselors should aim at assisting persons to meet their housing needs or overcome or satisfactorily mollify their financial difficulties and thereby reduce the housing problem. In many situations this is not an easily achieved objective—the problem is too complex or beyond resolution; the clients are unable or unwilling to take the necessary steps toward problem solution; or the financial counselor lacks the skills required by the situation.

Financial training for housing counselors cannot prepare the counselor to solve all financial problems of their clients. This does not mean that a solution does not exist for every financial problem faced by a housing consumer. It does mean that the solution desired by the client might not be attainable even with the most skilled counselor.

Probably the major reason why many financial objectives set by housing clients, consciously or otherwise, cannot be met resides in the fact that the roots of the problem reach into numerous areas of the client's life. These causative or contributing factors may sometimes go overlooked by the client and the counselor. The counseling session concentrates upon the financial difficulty and fails to consider hidden, unrecognized, or denied causes. So, at the end of the pipeline the counselor and client work to solve a money matter while at the other end of the line circumstances or causal factors pour problems into the client's life and magnify the financial difficulty.

The blame might not reside with the counselor. It might reside with a number of aspects of a system that creates and then compounds the financial difficulties of persons regardless of their income bracket. The low-income homeowner, for example, is not the only person who faces foreclosure of a mortgage.

The interwoven nature of the problems that often beset each of us makes it imperative that financial counseling training for housing counselors cut across this spectrum of influences that often create financial difficulty. Any other training can produce nothing more than well-intentioned but ill-equipped counselors. They might unwittingly aggravate a client's need or problem by delaying the proper approach and thereby extending the client's grief and deepening the difficulty.

When the U.S. Department of Housing and Urban Development initiated its housing counseling program following the passage of the Housing and Urban Development Act of 1968 we called the service "credit assistance and counseling." Although the emphasis in that first program handbook rested upon credit criteria as well as budget and debt management counseling, we provided for "related family counseling" that included referrals to organizations that could deliver assistance in other areas: job training, employment opportunities, health services, and child care, to cite examples.

One interesting aspect of the provision of related family counseling resides in the fact that this provision was written into HUD's guidelines by staff concerned with credit criteria for mortgages insured by HUD. Although the staff was in what we call the "production" end of the Department, the staff had had more than enough experience to know that credit problems do not stand in isolation: they always link themselves to other kinds of problems in families and individuals.

As a result of HUD's implementation of its housing counseling program, we recruited and trained local nonprofit organizations to deliver the counseling service. These HUD-approved housing counseling agencies--now numbering more than 600 nationally--confirmed our understanding of the context of credit and financial difficulties: people usually experience financial difficulties as a result of or concurrently with other problems that cause or heighten financial difficulties.

To the social scientist this is no startling revelation. It is the result of years of working with persons who experience problems with their money--or the lack of money. Neither was this new information for HUD, but the experience led us to leave behind the old title of "credit assistance and counseling." Today we speak of comprehensive housing counseling and for two reasons.

First, our program has expanded from counseling only prospective home buyers under our special risk programs to the counseling of renters, home buyers, and homeowners under all of our programs. Any person or family may avail themselves of the service if a HUD-approved housing counseling agency exists within the client's community. Second, comprehensive means that the breadth of counseling relates to any area of need that makes it difficult or impossible for a client to satisfactorily meet his or her housing needs or problem.

HUD's 600 plus housing counseling agencies cannot deliver every form of counseling required by their clients, but we expect the agencies to establish linkages with community resources that can deliver the needed services unavailable from the counseling agency. It is our understanding that housing counseling, by its very nature, includes financial counseling. We hope it occurs first as a preventive measure that will enable the client to avoid financial difficulties. Such counseling has a two-fold objective.

We want housing consumers under HUD programs to make the best use of their financial resources to meet their housing needs. This is the positive and preventive side of financial counseling for housing consumers.

We also want housing consumers who experience rent delinquencies and mortgage defaults to overcome that type of problem. If they do, they will, we believe, more fully benefit from HUD programs. This also is a positive side of counseling, but it is curative and therefore more difficult, costly, and sometimes painful. With effective preventive counseling we can avoid or lessen the headache and the heartache of financial difficulty that would otherwise result in foreclosure or eviction. Such counseling requires the best trained counselors available.

When we talk about financial training for housing counselors, I assume we mean more than people skilled in helping other people satisfactorily manage their money. If that were our goal, purely and simply, our task might be relatively easy; however, we are talking about something more complex than someone walking into our office and saying, "Teach me how to manage my money."

There are people who will bring us relatively simple problems, but probably most who seek financial counseling come to us only after a crisis of some kind arises. To assist these persons is a matter of great importance when you consider the damage as well as the help a counselor might provide.

This might sound like an over-simplification, but financial training for housing counselors--or for anyone--requires knowledge, as basic as it might be, of the sources of financial difficulties. The counselor might not need to know this for every client, but the counselor needs to know that financial difficulties, somewhat like, say, a problem in alcohol abuse, do not arise out of character defects, that people do not suffer money set-backs because those people are any worse or any better than the counselor.

One source of financial difficulty is learning. We learn, for better or for worse, how to earn, spend, and save money. We learn from our mothers and fathers, our neighbors "the Joneses," our teachers, our radios, newspapers, magazines, and television sets. Sometimes we learn nothing because nothing is taught to us about finances. For the homeowner--and there are some--who has no knowledge of the concept of equity and its availability for leveraging it into new sources of money, this lack of knowledge might prevent the homeowner from otherwise overcoming a financial need or problem that could not otherwise be met.

For the person who has learned what appear to the counselor to be problem-creating financial practices, some aspects of counseling might require assistance in unlearning these practices and acquiring new ones.

The counselor might respond somewhat differently to the client whose financial practices are circumstance-created. Here there might be nothing to unlearn; there might be a negative circumstance to change or overcome. The approach might be less therapeutic than in the learned situations and directed more to action that effects a change.

In the case of the housing consumer who made unwise purchasing decisions or borrowing decisions not because of what he or she learned and not because of circumstances, the counselor might take still a different approach. The counselor might wish to discover, if possible, what motivated the client to waste his or her financial opportunities. This information will assist the counselor in deciding how he or she has spent.

These three sources of financial difficulties affect the housing consumer as much as any other type of consumer. Some home buyers purchase on impulse and without knowing fully the financial implications of their purchase. Only after mortgage, insurance, upkeep, and other related housing-cost bills appear does the consumer feel the full weight of what he or she has spent.

Please do not read into these suggestions the idea that the housing counselor as financial counselor must be a therapist. This merely suggests that the counselor can more effectively assist the client if the counselor knows the motivation for buying that results in the client's problems.

Our sources of financial difficulty bear directly upon what we popularly call life style. Life style--attainable or unattainable--determines in part and is determined in part by how we spend our money or other people's money that we borrow. Life style determines whether the housing consumer chooses to rent or purchase housing, the amount of money available for or the amount determined worth spending for housing, the type of housing sought, and a host of related matters.

For some persons, their life style indicates that rental housing is best; for others, homeownership is more suitable. In the same manner, life style helps determine whether the consumer pays his or her bills on time, late, or not at all.

The housing counselor, when dealing with the finances of the client, needs to know the preferred or sought life style of the client. This information will enable the counselor to maximize his or her assistance to the client. But the counselor must be skilled in identifying or obtaining from the client this kind of information and probably by indirect methods. It simply is not enough to deal only with the financial problem itself.

When finances constitute the problem of the housing consumer, the counselor's role includes at least three broad tasks. First, the counselor must identify the immediate financial problem. You all know how difficult this might be if the client, for one reason or another, neglects to mention, hides, or distorts the facts. Often what the client tells the counselor depends upon the client's objective and the role of the person consulted. A defaulted mortgagor might tell the mortgage company one thing but tell the housing counselor another thing.

Second, the counselor needs to identify, as closely as possible, the causative and contributing factors of any financial difficulty. It helps to know that the housing consumer failed to make his or her rent or mortgage payment because of a lack of funds, but the counselor needs to know why the consumer lacked the funds. Even if the client lost his job or had a reduction in income for a given period of time, the counselor needs to know why this occurred. Did it occur because of sickness, alcohol abuse, poor job performance, lack of training, or something else? The client who loses income because of sickness may require a different form of assistance or counseling approach than the client who cannot perform his work at a satisfactory level.

Finally, we expect counselors in HUD-approved counseling agencies to develop a counseling plan for the client. The plan should deal with the whole problem confronting the client. In some instances certain social service resources in the community must be used to assist with the more-than-financial problem.

Unless the counselor approaches the whole person and the whole problem, counseling efforts may be self-defeating. Without an increase of income for our hypothetical client that client's financial problems might go on forever. The causes must be removed or eased.

Take the defaulted mortgagor as an example. If he or she bought more house than is affordable, the owner might find that the sale of that property is the only answer. If the owner bought a home whose maintenance drains off large amounts of the family income, the sale of that property might be the only solution.

Financial considerations as a part of housing counseling relate to three parties. Obviously, the client; then the counselor; and certainly the credit community that makes loans or extends credit.

The client brings his or her entire life into the counseling session even though the counselor will deal with only one segment of it. This might include housing practices learned from parents. It also includes what has been learned about the use of money. One client prefers or should rent while another prefers to buy; one prefers to spend money, the other to save it; and one insists on keeping debt payment current or non-existent while another regularly owes back payments and doesn't seem to care. In addition, the client is an environmental being whose housing practices both create and sustain either pleasing or painful housing conditions.

The client brings his or her values to the counseling session. They might not be those of the counselor or the agency. The counselor prefers a garden apartment near a shopping mall and public transportation. The client likes a mobile home set back from a lightly travelled rural road outside of town.

With housing choices and problems, as with all other forms of choices and problems, the counselor deals with the client's values, not those of the counselor. This does not mean the counselor does not have and exercise concern for the client. It simply means that counseling whether it be for housing or finances or whatever is a process in which the client, hopefully, makes decisions and takes actions based upon what he or she considers best under the circumstances. The counselor might disagree with the choices of the client, but that is part of the price of assisting people to be effective consumers on their own.

All of these factors weigh upon the role of the counselor as one of the parties to a counseling interaction. Because of the ramifications of housing counseling, it is imperative that the counselor possess a sensitivity level by which he or she can evaluate and assimilate into the counseling process not merely what the client says. Apart from what the client says, the counselor will hear and see and sense things that will prove helpful in assisting the client.

Possessed of this information and insight, the counselor may with care help the client to understand his or her situation and make a reasonable and rational choice of an alternative tc poor financial and related decisions.

The housing counselor, like all others, requires a great deal of objectivity when it comes to the client's need for financial wisdom. Only in that manner can the counselor keep his or her personal biases out of the counseling process. This means, also, that any housing counselor who assists clients with financial matters must be a person whose personal finances are able to stand the test of reasonableness.

Now it goes without saying, almost, that the housing counselor must possess a skilled working knowledge of financial counseling. However, one of the problems of our society is that in many areas almost anyone can claim to be a counselor of one sort of another. In some areas legal safeguards do not exist. This leaves wide open the much needed tool of training for financial matters in relation to housing counseling. This would include knowledge about Federal, State, and local housing programs and especially those that could assist financially distressed persons.

In this broad context of the housing consumer in the mysteries of the housing market what is the role of the housing counselor as it relates to financial considerations? We respond by saying that the role appears to be the same as that of any counselor.

The housing counselor, among many things, is a motivator. Without bias he or she seeks to understand the client's needs or problems, possess some grasp of what constitutes a realistic objective as expressed by the client, and motivate the client to decisions and actions by which the client may move toward the objective.

The counselor as motivator is also a change agent. Without bias the counselor knows the habits, attitude, and practices that a client must change in order to achieve his or her housing or financial objective. Such change may be the most difficult aspect of counseling and it might take enormous amounts of time. The skilled housing counselor will know how to use, for example, possibilities from among which the client may choose and thereby move toward the objective.

So the counselor is really an enabler in the final analysis. If the counselor does for the client what the client could do for himself or herself, then counseling does not occur. There is "hand holding" that nurtures the already negative practices of the client. The counselor might have to do this for some clients, but they will be in the minority.

What we hope the counselors in our HUD-approved housing counseling agencies are doing is fulfilling an enabler's role.

The last of the three parties to a counseling situation is the credit community. The housing counselor must keep in mind the obligation to those parts of the community who in good faith and with reasonable requirements extend credit to the counselor's clients.

Some counselors seem to forget that their clients have definite obligations to their creditors who, we assume, have in good faith loaned money for a mortgage or a home repair or the provision of rental property. Some counselors will learn only by experience that all creditors do not have horns. They are business men and women seeking to make a reasonable living through a legal enterprise that depends upon profits to pay salaries with which people buy shelter, food, and clothing.

If I were asked to speak briefly to housing counselors who provide financial counseling among other forms of assistance, I would say this: Your clients are first of all people with housing and housing-related problems. If you are going to meet the needs and solve the problems you must remember that no need or problem stands in isolation from the totality of the client's life. To make your client whole, financially or otherwise, you must work with the whole need or problem.

PRE-RETIREMENT FINANCIAL PLANNING

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* * *

Today is the day to begin plans for retirement. Don't let retirement just happen to you. Retirement years like your school years and earning years need attention. Today is the day that you can begin to control the success of your retirement.

Your life, financial situation, and use of time after retirement will be different.

What makes the difference between disappointment and fulfillment? . . . . . PLANNING - That's a word that covers a lot of ground, of course, so let's think of some of the specifics.

Three components can make a happy retirement: meaningful use of time, good health, and enough money. Other specifics can generally be listed under these.

Time

Meaningful use of time involves being enthusiastic about doing something, but enthusiasm is not to be associated with a fast pace. It's important to pursue activities that provide exercise and rest, that can be pursued in "bad" weather and "good" weather, and activities that give us time for ourselves and time to be with other people. We need a good balance in the way we utilize our time.

We need to begin cultivating these interests today, no matter what our ages.

Health

As we grow older we can become careless about good health practices. Health can be improved by regular exercise, a balanced diet, and good health practices. We may need to put forth special effort to get exercise regularly and to eat properly when life patterns change.

Money

Basic to successful retirement is having enough money for adequate food, clothing, shelter, good medical care, and money to support your interests.

What do you need to do now (no matter what your present age) to plan for the amount of income that you will need.

Changes in patterns of savings and spending as well as a different source of income will require adjustments.

Until retirement there can be the threat of loss of income by unemployment or disability. We expect to save toward retirement. Income after retirement is provided from Social Security, pensions, and investments. Illness will not affect your income and you can't be "laid off." After retirement there is usually no need to continue to make savings. You will need an emergency fund, but hopefully, this is established by the time of retirement.

We should begin preparing for retirement early in life. Certainly by ages of 40-45 we need to begin giving serious thought to retirement goals. Detailed plans as to how much income you will need for retirement may be impossible but you do know you will need income.

Time is your most valuable factor. The earlier you begin your savings program the less you will need to save.

One dollar invested at 6%, compounded annually will be become $2 in 12 years. You can compute the approximate number of years it will take for your savings to double by dividing the annual interest rate into 72. (The number of years is approximate since the answer will vary slightly if the interest is compounded daily, quarterly, or semi-annually.) Thus, $100 at 6 percent will double in 12 years. The key number is 72. Divide the annual interest rate into 72, and you get the number of years until your savings will double. Thus, 72 divided by 6 = 12 years. No energy is required to double your money, but effort is required to balance today's wants against retirement needs.

The longer you wait to start saving, the more you must save to accumulate the same amount by the time you retire.

At age 40, $5 invested at 6% = $17.90 at age 60. If you wait until age 50, $10 must be invested to reach the same amount of $17.90 at age 60.

There Comes a Time for More Detailed Planning

By age 50 more specific plans can be made. Even though some of your plans may change before retirement you will be much farther ahead, rather than waiting until age 60 to plan.

Financial Plan for Retirement

Consider first your goals. Have you decided what you want to do with your retirement? Think about it. Probably not since you chose your spouse or first job have you had more alternatives from which to choose. Where will you live? How will you use your time? How will you finance these goals?

Make a third list to show how you anticipate the change for each expenditure.

Housing: includes mortgage, rent, property insurance, taxes, and upkeep. Housing costs may be reduced by living in a more moderate climate. Expenses of housing may be reduced by less space and less yard. Being closer to business centers can save on transportation.

Utilities: gas, electricity, water. See housing

Household costs: Laundry, supplies, equipment, replacement and repairs.

Food: Eating habits may change, but probably the biggest change will be in cost of lunches, if lunch was eaten "out" before retirement. On the other hand, more meals may be eaten out as a form of recreation.

Clothing: Expenditures usually are less after retirment. A smaller wardrobe, less expensive type of clothes, longer wear and less use that reduces upkeep, all help reduce clothing expenditures.

Insurance--Life: Your life insurance program should receive a thorough evaluation before retirement. You may wish to keep some coverage in effect, but usually there is less need to maintain life insurance coverage.

You may also wish to stop paying premiums in order to have more money for other expenditures. For policies that have accumulated cash value you can use the cash value to pay up for life (at a reduced amount of coverage), take cash, invest it to provide income through interest or dividends, or purchase an annuity to guarantee income for a specific number of years.

Insurance-Health: Will your health insurance coverage through your employer continue after retirement? How much will it cost? Will you need to purchase an individual policy? Be sure to buy adequate coverage, as medical expenses generally increase with age. Medical care is one expense that most often increases as we approach retirement age.

Recreation: While recreation expenditures are quite flexible, it is important to be able financially to pursue your interests.

Gifts: The amount one spends on gifts is flexible. Having more time to make gifts and to shop carefully can reduce this expenditure.

Church and Charity: Your financial contributions may need to be reduced, but your time & talents can help organizations stretch money and you have the satisfaction of having contributed.

Working expenses: Of course working expenses will drop to zero. They are listed in the plan to emphasize that people can live on less income during retirement without reducing their level of living. In listing these, there will be some overlap with food, clothing, transportation, gifts, etc. Don't deduct the same expense under both listings.

Consider How You Will Use Your Resources

Which resources will you use for income, which for emergencies and which ones for family protection? First, you'll probably want to determine how much income you will need. Several years before retirement you probably can anticipate changes in your expenditure patterns. The best way to do this is to analyze each expenditure. The most accurate method is to keep a record of your expenditures for a period of 6 to 12 months. When you have these figures it isn't difficult to think in terms of how each will change after retirement. Compare expenditures for two years and estimate what you will probably spend after retirement.

Make a list of expenditures for the current year, and one for the year preceding retirement.

Personal items: Coffee breaks, cigarettes, haircuts, cosmetics, etc. Some of these expenditures will be different after retirement.

Income taxes: Use your last income return to figure how your tax would have been different had you been retired. Figure both income and deductions.

Savings: Normally there is no need to save any longer. This is the time to reap the benefits of your previous savings. This is one of the most difficult changes for most people to accept in their financial habits.

Debts: It is not necessarily true that we should try to reach retirement debt free. It may be a goal you wish to attain. Should you toy with the idea of paying off a mortgage be sure to compare the rate of interest your mortgage carries with the rate of interest your money could earn in an investment. Why pay off a 20 year mortgage with dollars that have lost value since you borrowed them? Why pay off a 6½% mortgage with money that in certificates of deposit can earn 7½%? (Other investments could produce an even higher return.) Finally compare the amount of income with the amount of expenditures you expect to have.

My expenditures will probably be $________

If income is more -- great retirement!

If income is less, how can you rearrange your resources to increase income? Or, you may wish to reduce expenditures rather than increase income.

A net worth balance sheet is a statement of assets and liabilities and is the base for financial planning. Each asset should be evaluated in terms of the role it will play to provide income, protection against inflation, financial emergencies or maybe estate taxes. There may be a need to change the balance of assets within the total financial plan. Early planning should provide a guide for timing this change.

Many people seek a second career after retirement. They may wish to continue to work for enjoyment or to increase income. Again planning is important to this aspect of retirement. Second careers can grow out of some part of a pre-retirement career. Often the best part of the old can be continued. For example, you may be able to do the part of the work you enjoy without having to write the reports. Many second careers grow out of a hobby or an interest that one has never had the opportunity to nurture to maturity. This new career may need to begin on a small scale before retirement. New skills or contacts may need to be developed before retirement. Plans for a "career after retirement" includes - what, how and when.

Another aspect of pre-retirement planning includes knowledge of the income tax advantages. Tax sheltered annuities are available to teachers and administrators in public education systems. Individual retirement plans are available for those not covered by a company plan, including self-employment. In addition, there are several tax advantages for persons over age 65 and for over age 55 on sale of a home. Those over age 65 are eligible for Medicare health insurance. Each of these tax situations should be evaluated and if appropriate included in pre-retirement planning.

FINANCIAL COUNSELING FOR THE ELDERLY

Robert Sunley

* * *

The need for financial counseling for senior citizens is rapidly increasing due to the mounting number of elderly in the population; to the effects of inflation upon a large group subsisting on fixed dollar incomes; and to the growing complexity of government.

Financial counseling with the elderly is akin to credit counseling but brings in other elements making it, in effect, a new field. These elements include:

1. Crisis intervention
2. Budget management
3. Increasing income
4. Strengthening personal support from relatives, friends, and others
5. Connecting the person with community agencies, organizations and professionals for needed help
6. Advocacy-assisting the person in obtaining help, overcoming red tape, etc.

These will be discussed in detail later. It should be noted that the management of debts is a much less frequent need among the elderly.

Special knowledge, understanding and skills are needed to counsel the elderly effectively; probably the four most important areas involved are: (1) the life situation of the elderly; (2) the psychological; (3) health; and (4) financial. Two or more of these are often intertwined, much more so than with most of the younger population coming for financial counseling. The following is a brief discussion of each of these four areas requiring knowledge, understanding and skill.

1. Life situation. Most of us have stereotypes about the elderly in our minds, or tend to jump to conclusions about an elderly person from superficial signs. We need to recognize that the aged are not one homogenous mass, but can be subdivided in various ways. For example, the aged can be grouped according to relative ages: the young (60 to 70 years), the middle (to 80), and the old. The aged can be grouped also by income level; by ethnic groups; by health status; by degree of social connections or isolation.

Discrimination is prevalent against the elderly, in many ways. However manifested, it is generally perceived by the elderly and felt as a blow to self-esteem; many of the elderly feel increasingly cut off socially from other generations and from opportunities. The tendency of some to associate mainly with their own age group is greatly enforced by discrimination. Feelings of depression, apathy and alienation are commonly found in the elderly, and have an important bearing on the individual's capacity to manage money as well as other aspects of life.

The meaning of the future changes drastically, at retirement or old age. Up to that time, for most people life is "incremental." That is, they expect the future may or will bring more, in terms of money, status, achievement, social connections, etc. Later, however, life becomes "decremental," a procession of losses. Relatives and friends die, health becomes impaired, activities are curtailed, and so on. In relation to money, those who have any property or assets or pensions (apart from Social Security or SSI), become anxious over the effects of inflation; many become frightened over spending since they realize they cannot replace what they have, as can younger people. Some become secretive about money matters; some live at a bare survival level though they have sufficient funds; for many, the stress and anxiety have cumulative bad effects on their health and general functioning.

2. Psychological aspects. With increasing research on the psychological effects of aging, it appears that at least some of what we commonly have believed is erroneous. Much of the decline in faculties is now attributed more to environmental factors than to physiological processes in many of the elderly. Growth in personality can and frequently does occur; though we also see emotional problems and personality disorders become worse. Again, our stereotypes have to be set aside. The financial counselor is likely to encounter certain psychological problems perhaps more common in old age. For example, some of the elderly developed fixed ideas or areas of confusion, though seemingly mentally alert otherwise. In one situation, an elderly woman refused to pay her real estate taxes, though she had enough income to do so; eventually she lost her house, but was allowed to continue living in it by the new owner who bought it for the tax liens. Ironically, the new owner allowed her to live rent free on the stipulation she would pay the taxes-which she still did not do. Others become "collectors," in which real or fancied money is buried among piles of newpapers, old clothes, rubbish, and so on.

The psychological problem which poses the greatest difficulty to financial counseling is the reluctance of many of the elderly to ask for help, or to admit they need help despite efforts of relatives and friends. Thus many agencies serve relatively few elderly persons because they insist the elderly come to them and ask for help directly. Probably behind this reluctance lies the fear that asking for help is one more decremental sign, that the person is slipping, declining, and needs someone to take over for them.

3. Health. Health-related factors are of importance in financial counseling, though the counselor obviously does not get involved in actual health care. Foremost, quite a few elderly persons are

prevented from getting to a counseling office because of handicaps or illness; counseling must be brought to them, and an organization needs to take this into account in planning service to the elderly. Another health factor is the concern of the elderly in regard to health insurance, specifically supplements to Medicare. A third and more difficult area is that of apparent senility or approaching senility; the counselor may find an elderly person who is very forgetful, perhaps with periods of confusion or rambling and unable to focus clearly on money matters. A counselor will need to develop some understanding of such a condition, and in some situations to pursue it further—for example, is this person overmedicated possibly, or ill, or reacting to a stressful life situation? Getting the person to the proper professional care often requires that the counselor have some understanding and commitment to helping the person beyond the strictly financial aspect of the situation.

4. Financial. While the principles of budgeting remain the same regardless of age, their adaptation to the circumstances of the elderly requires care. For one thing, small economies or reductions in expenses may be of greater significance to the elderly; most have managed on a fixed income, within very narrow margins, and an extra $100 a year may be worth the effort to them. A new range of subjects needs to be studied, if not mastered: Social Security provisions; Supplemental Security income; various types of pensions; Medicare and Medicaid; supplemental health insurance; special discounts available to the elderly, including real estate and income tax reductions; credit possibilities; home upkeep costs and ways of meeting such costs.

At the beginning, six important elements in financial counseling for the elderly were listed. Following are further comments on each:

1. Crisis Intervention. Often the counselor will find that the elderly person, though asking for help about a financial matter, may be in acute need of crisis intervention. The counselor may be able to directly help with some, such as trouble with a landlord; but the counselor needs to be prepared to call in appropriate agencies to help--with illness, malnourishment, seclusion, depression, etc. Often, no financial counseling can be carried out until some such critical situation is first resolved. When the elderly person lives alone, the counselor's alertness to crises may be crucial, since no one else may be aware of what is happening.

2. Budget management. Generally we do not see with the elderly the rather frequent picture found in younger families, of spending beyond their means, of trying to maintain a higher style of living than their income warrants. The counselor needs to be careful not to try to pare down what may already be a rather minimal budget, as it may mean to the elderly person that they should be even more frightened; Yet on the other hand, gross problems need to be tackled; for example, a rather frequent one is the elderly person who is paying not one-fourth or one-half their income in rent, but three-fourths or 90% in rent. The homeowner may be in a similar predicament, with escalating

taxes, fuel costs, etc. While with younger families, a solution can usually be arrived at on a financial basis—the house must be sold, or the family move to cheaper quarters; with the elderly person, more care must be taken. It is well known now that moves frequently have very adverse effects upon the elderly; the loss of familiar surroundings and people, the inability to strike up new connections, the fears arising from feeling confused in new surroundings, all can produce a physical or mental breakdown. Thus, from a financial point of view, remaining in such expensive quarters may be folly; it may nonetheless be a greater folly to move. Other solutions may need to be sought, though not always available. For example, in some areas rent subsidies are available through the government. There may be the possibility of sharing the quarters with another person, cutting costs markedly, and often more acceptable to the old person. For the homeowner, sharing is one possible solution; also, obtaining all reductions in costs. Counselors may also have to bring in relatives to help out financially—while the elderly person may be unable to ask them for financial help, he or she may not object to the counselor arranging it.

3. Increasing income. Opportunities for most elderly people to increase their income are extremely limited. The counselor will need to explore the person's abilities and experience, provided they would be willing to work. In many communities, there are opportunities for low-income senior citizens in government funded senior community service programs, paying for part-time work in public or private non-profit organizations. Some even manage then to get unsubsidized jobs, once they acquire skills. The counselor can develop a bank of work possibilities, including work that can be done at home. While generally the amounts that can be earned are not large, they may make the critical difference in getting by. There are also situations in which the elderly person has some assets, which are producing little or no income. For example, an occasional person has paid up life insurance which no longer has any life insurance element left and yields a low rate of interest. While such moves should be made only with expert consultation, it may make quite a difference in income if such an asset is put instead into a much higher yield. A similar situation rather often arises, when the elderly person asks for help in deciding whether to sell his or her house and move into rented premises. This is a complex decision; once the financial aspects have been pinned down, the meaning of the move and its possible effects need to be handled; the financial counselor may wish to call in a professional experienced in personal counseling to handle this aspect.

4. Strengthening personal support. The financial counselor may, in the course of bringing in financial help from others, encourage them also to provide more personal attention for the elderly person; in any event the financial counselor should be alert to this possible need; again, it may be necessary to enlist other help to bring together relatives who have been estranged or where family antagonisms stand in the way.

5. Connecting with community resources. The financial counselor needs some familiarity with what is available in the community, and even more important, must know the information and referral services in the community and how to use them. In larger communities, the financial counselor cannot master all such possible resources, and must instead rely upon such information services.

6. Advocacy. The great bulk of income maintenance comes from government—as Social Security, SSI, Medicare, Medicaid, and other benefits; it is hardly surprising, then, that it is with the government that many difficulties arise in obtaining and maintaining these benefits. The elderly, particularly, need some degree of help in dealing with the bureaucracy, the many forms, and the complex regulations. It is not enough to refer an elderly person to a government agency to obtain benefits. Some do not go (and some physically cannot go); others have gone in the past and feel it is useless; still others go, but get back a refusal or a request for more information and give up at that point. Others get embroiled in long interchanges without making headway. The consequences are either lengthy delays in obtaining vital income benefits, or the failure to obtain them. The counselor needs to see that the elderly person needs this further help, a person who can speak for the elderly person, make calls, help gather additional information, even accompany the elderly person to the government office. The counselor may need to resort to lawyers or others who can help in the advocating for the elderly person. The advocacy function is thus vital in many situations with the elderly.

Finally, a brief description of the Senior Financial Counseling Service of the Family Service Association of Nassau County, New York will indicate one way in which financial counseling for the elderly can be conducted. The agency has one division for services to senior citizens, and included in this is a crisis intervention service which goes to senior citizens in their homes for a broad range of crises and also provides short-term personal counseling by professionals. The need became evident, however, for a more specialized service focusing on the financial aspects, with staff who could develop the detailed knowledge necessary. There was also a need for a separately labelled service, to attract the attention of senior citizens. The service is conducted by a coordinator, who does counseling but also has trained a group of volunteers, over a period of several months, to do counseling under supervision.

The goal of financial counseling for the elderly is broader than credit counseling, in that such a service together with other services aims at helping the senior citizen remain in the community as long as possible and functioning as well as possible.

CHAPTER 13 AND THE NEW BANKRUPTCY ACT

Richard M. Hutson, II

* * *

Introduction

During the Depression of 1938, Congress added an amendment to the Bankruptcy Act, Chapter XIII (13 under the New Bankruptcy Act), and referred to it as the Wage Earners' Plan. The purpose for the amendment was to bring immediate relief to those qualified individuals who found themselves in financial difficulty and unable to pay their debts. The law, as written, was designed to assist the working man and afford him the protection of the Federal Court while paying his creditors.

Chapter 13 or the Wage Earner Plan is in theory available everywhere in the United States. In practice, the use of Chapter 13 varies widely among the judicial districts. For example, there were 2,646 proceedings initiated in the North Carolina Federal Courts under Chapter 13 during 1978, while there were only 74 cases initiated in the States of New Hampshire, Rhode Island and Connecticut combined during 1978. One should not conclude from this statistic that Northerners pay their debts better than Southerners. Some reasons that explain the inconsistency of Chapter 13 filings throughout the Country are as follows:

1. Garnishment laws differ. States which have garnishment laws tend to have higher Chapter 13 filings.
2. The education of the local members of the bar to the availability of Chapter 13.
3. Acceptance by the Bankruptcy Court and Bankruptcy Judge to Chapter 13 filings.
4. Dissemination of information to the public about Chapter 13.
5. Acceptance by the creditors to Chapter 13 filings.

It is generally found that in those districts where Chapter 13 filings are low, there is a heavier concentration of straight bankruptcy filings. Chapter 13 provides an alternative to straight bankruptcy for individuals and therefore districts with high Chapter 13 filings have low straight bankruptcy filings.

New Bankruptcy Act

On November 6, 1978, President Carter signed the Bankruptcy Reform Act of 1978 (HR-8200) into law. This is the first major revision of the Bankruptcy Act in 40 years. The new act, or code as it is more properly called, completely overhauls our entire bankruptcy laws and restructures our court system as well as lays down new ground rules for debtors and creditors. A comprehensive analysis of all chapters of the new law is far beyond the scope of this presentation. Chapter 13 under the new code has been additionally expanded and modified to afford greater protection to the debtor. The new legislation simplifies Chapter 13 proceedings and attempts to more clearly define the rights of creditors. The description of Chapter 13 or the Wage Earners' Plan has been replaced with the new title of "Adjustment of Debts of an Individual with Regular Income".

The New Bankruptcy Code becomes effective October 1, 1979. Proceedings filed prior to that date will be administered under the present law. The emphasis of this manuscript will be directed towards new Chapter 13.

What is Chapter 13?

Chapter 13 is the most widely used rehabilitation chapter of the present Bankruptcy Act. The proceeding provides an alternate method for individuals in that rather than seeking a discharge of their debts under the Bankruptcy Act through complete liquidation, it enables a person to pay his creditors over a period of time. The proceeding gives the individual an opportunity to pay off his debts from future earnings while under court protection from the harassment of creditors. The individual avoids the stigma of being an adjudicated bankrupt and at the same time has the satisfaction of paying his creditors.

The proceeding is initiated by filing a petition with the United States Bankruptcy Court. Normally, the process begins in an attorney's office. The individual seeking financial relief and Chapter 13 information may have been referred to the attorney by a financial counselor, friend, creditor or the Wage Earner office. The attorney makes a review of several things:

1. The kind and amount of debts owed.
2. The individual's net income.
3. The amount of money needed for living (rent, groceries, utilities, etc.)
4. The amount of money actually available for creditors.

If a Chapter 13 plan will solve the problem, the attorney then files the petition with the court. It is customary that the Chapter 13 attorney fee and court costs are paid from the regular monthly payments to the court.

Straight Bankruptcy Vs. Chapter 13

Over the years of observing Chapter 13 filings, I have concluded that most debtors who elect Chapter 13 could easily declare straight bankruptcy or liquidation. Generally, debtors who file Chapter 13 have very little property to protect and this is especially true under the new liberal exemption laws. The compelling reason most often given for choosing Chapter 13 is the desire of the debtor to pay his creditors. Most debtors have a very strong desire to pay their creditors. Creditors often fail to recognize this or give credit to the debtor who chooses Chapter 13. Creditors tend to identify a Chapter 13 debtor as a "bankrupt" when in truth he is not.

Some advantages of Chapter 13 over straight bankruptcy are:

1. The debtor may continue to retain his property without liquidation.
2. A successful Chapter 13 will help preserve the debtor's credit.
3. The debtor will receive satisfaction of paying his creditors.
4. The debtor is exposed to money management and consumer counseling. In some areas of the country, as for example the Middle District of North Carolina, a debtor is required to attend two consumer counseling sessions.
5. The debtor under Chapter 13 may obtain a more comprehensive discharge of debts than under straight bankruptcy. Bankruptcy Code §1328 cf. §523.

The Chapter 13 Candidate

In order to determine whether an individual is a candidate for Chapter 13, there are certain practical considerations and eligibility requirements under the Bankruptcy Code. Not every individual in financial difficulty is a candidate for Chapter 13.

Practical Considerations

1. Extent of Indebtedness. The ideal candidate for Chapter 13 is able to pay his total debt over a period of 36 months. Generally, if there is such a large indebtedness that creditors will receive a very small dividend after 36 months, the individuals is probably better advised to seek straight bankruptcy.

2. Property to Protect. If an individual owns property above his exemptions, a Chapter 13 proceeding will afford protection.

3. Attitude. A Chapter 13 is not an easy way out of financial difficulty. It takes a strong desire on the part of the individual for the plan to be a success.

4. Regular Employment. Planned payments are paid out of future earnings. People who have a tendency of long periods of unemployment generally prove to be undesirable candidates for Chapter 13.

Legal Considerations

1. Individual with regular income. An individual, to be eligible for a Chapter 13, must have regular income "sufficiently stable and regular to enable such individual to make payments under a plan" and cannot be a stockholder or a commodity broker. Bankruptcy Code §101 (24). Individuals have been held eligible for Chapter 13 when their only source of income is Social Security, unemployment, veterans or retirement benefits.

2. Amount of Indebtedness. The individual must owe less than $100,000.00 in unsecured debts and less than $350,000.00 in secured debts. Bankruptcy Code §109(e).

3. Prior Bankruptcy Experience. A prior bankruptcy is no bar to the filing of a Chapter 13.

4. Joint Petition. A joint petition may be filed by husband and wife even though only one spouse has regular income. Bankruptcy Code §302(a).

5. Debtor Engaged in Business. A debtor that is self-employed and engaged in business may file a Chapter 13. A debtor engaged in business may operate the business subject to limitations and conditions imposed by the court. Bankruptcy Code §1304.

The Plan

The word "plan" is defined under the Bankruptcy Act to "mean a plan for a composition or extension, or both", which are defined as follows:

1. Composition Plan - Under the composition plan, a debtor pays a percentage of his debts. For example, a debtor may propose to pay 30% of the amount due all creditors.

2. Extension Plan - An extension plan is one where the debtor proposes to pay all debts in full over a period of time.

3. Composition and Extension - Most courts adopt a combination extension and compromise plan, i.e., the debtor will make payments for a certain period of time and the funds will be disbursed to pay creditors as far as possible.

Payments

The periodic payment in a plan will largely depend upon the amount of indebtedness and the salary of the debtor. Many courts have adopted a general rule to the effect that the debtor will pay one-fourth of his monthly take-home pay towards creditors. It is generally felt that this is as much as a debtor can reasonably pay towards indebtedness and still survive.

Time

Presently the general policy is for Chapter 13 proceedings to last 36 months. Many times debtors will prefer to remain on the plan so that all their creditors are paid in full and plans will last longer than 36 months. Experience has proven that 3 years is about as long as a debtor can live with the plan and faithfully discharge his responsibilities. The New Bankruptcy Code specifically limits a plan to a three-year period with expansion of that term to five (5) years if approved by the court. Bankruptcy Code §1322(c).

Debts

The plan may include and provide for the payment of priority, secured and unsecured debts. All debts are generally included under a plan with the exception of those secured by real property. Real property debts may not be included under the present Bankruptcy Act. The new code provides that real property debts may be included except the debtor's principal residence.

Mandatory Provisions

Section 1322(a) requires that a Chapter 13 plan shall provide:

1. For the submission to the control of the trustee the debtor's future earnings or income necessary for the execution of the plan;

2. For the full payment in deferred cash payments of all priority claims, unless the creditor agrees to different treatment of the claim; and

3. For the same treatment of each claim within a particular class.

Discretionary Provisions

Section 1322(b) provides that a Chapter 13 plan may:

1. Designate classes of unsecured claims;

2. Modify the rights of holders of secured claims other than a claim secured by a security interest in real property that is debtor's principal residence and unsecured claims;

3. Provide for the curing or waiving of any default;

4. Provide for payments on any unsecured claim to be made concurrently with payments on any secured claim or other unsecured claim;

5. Provide for curing of any default within a reasonable time and maintenance of payments during the time the case is pending on which last payment is due after final payment under the plan;

6. Provide for payment of certain allowed postpetition claims;

7. Provide for assumption or rejection of any executory contract and unexpired lease;

8. Provide for payment of a claim with property of the estate or of the debtor;

9. Provide for vesting of property of the estate, on confirmation or at a later time, in the debtor or any other entity; and

10. Include any other provision not inconsistent with the Bankruptcy Code.

Trustee

The principal person responsible for the administration of a Chapter 13 proceeding is the Trustee. The court shall appoint a person to serve as Trustee in the case. Bankruptcy Code §1301(a). It is the Trustee's responsibility to administer the proceeding; appear at all hearings; and advise, other than on legal matters, and assist the debtor in performance under the plan.

Standing Trustee

If the number of cases under Chapter 13 in a particular judicial district so warrants, the court may appoint one or more individuals to serve as Standing Trustee for such district in cases under this chapter. Bankruptcy Code §1302(d). For example, the State of North Carolina, in its three judicial districts, is presently served by six Standing Trustees (Eastern District - 2; Middle District - 3; Western District - 1). A Chapter 13 Trustee may not be elected by creditors.

Pilot United States Trustee Districts-New Code

Eighteen judicial districts will participate in a pilot program of the United States Trustee system for a five-year period. The United States Trustee will be a public office and perform functions in bankruptcy proceedings that are currently performed by private trustees. A determination at the end of the five-year trial period will determine whether or not the system should be implemented to extend to the entire country or abandon it entirely. Under Chapter 13, the United States Trustee in the pilot districts may appoint one or more individuals to serve as Standing Chapter 13 Trustees, provided the number of cases so justifies the appointment. Where there is no Standing Chapter 13 Trustee, the United States Trustee is to serve as the Chapter 13 Trustee. Bankruptcy Code §151302(a).

First Meeting of Creditors

The debtor is required to attend a scheduled first meeting of creditors. The debtor, at that time, is examined as to matters relevant and pertaining to the proceeding. The Bankruptcy Code §341 provides that the judge may not preside at, and may not attend, the first meeting of creditors. This is a significant departure from present law and practice.

Creditors Vote

Present Bankruptcy Act - Presently, the plan, as proposed by the debtor must be accepted by a majority in amount and number of creditors.

New Bankruptcy Code - There is no vote necessary under the new Bankruptcy Code. All creditors could object to the plan and the court may still confirm and approve the plan over objections; provided, the amount distributed to unsecured creditors is equal to what they would receive under liquidation. Bankruptcy Code §1325(a) (4).

Classification of Claims

The debts of a debtor are usually categorized and classified into three categories, i.e., priority, secured and unsecured. The new Bankruptcy Code allows unsecured claims to be divided among classes. The classification by the court of claims is important in that generally classification also determines priority of payment under the Chapter 13 proceeding.

1. Priority Claims - Certain debts are granted a preferred payment status under §508 of the Bankruptcy Code. The most frequent priority claims are those which relate to administrative costs and taxes. The present act requires these debts to be paid in preference

to other creditors. The new Bankruptcy Code §1322(a) (2) specifically allows priority claims to be paid in deferred cash payments. This will enable the Chapter 13 unsecured creditor to receive dividends earlier, rather than all funds being disbursed to priority creditors.

2. Secured Creditors - These are creditors who have retained a security interest in property to secure their indebtedness. Examples of secured claims can be creditors secured by automobiles, personal property or household goods or consumer goods. The holders of secured claims under Section 1325(a) (5) of the Bankruptcy Code must either:

(a) Accept the plan;

(b) Receive their property; or

(c) Be paid the value of their claim and retain their lien.

The treatment of secured creditors under the new Bankruptcy Code has been altered. Chapter 13 plans may be approved over secured creditors' objections as long as the secured creditors receive value equivalent to their security interest. Payments to secured creditors may also be rescheduled over the life of the plan. Bankruptcy Code §1325(a) (5).

3. Unsecured Claims - All valid and existing claims that are not recognized as priority or secured are classified as unsecured and usually those debts are founded upon open accounts, for example, hospital bills, charge cards, etc.

Court Approval-Confirmation

The Bankruptcy Court must approve and confirm the debtor's plan. To confirm the plan, §1325(a) provides that the Court must find:

1. The plan complies with the provisions of Chapter 13.
2. All filing fees have been paid.
3. The plan has been proposed in good faith and not by any means forbidden by law.
4. The value, as of the effective dates of the plan, of property to be distributed under the plan to unsecured claimants is not less than the amount that would have been paid to such claimants if the estate were liquidated.
5. With respect to each secured claim provided by the plan:
   (a) the holder of such claim has accepted the plan; or

(b) (i) the plan permits the holder to retain the lien; and

(ii) the value, as of the effective date of the plan, of the property to be distributed under the plan on account of such claim is not less than the allowed amount of such claim; or

(c) the debtor surrenders the property securing such claim to the secured creditor.

6. The debtor will be able to make payments under the plan and to comply with the plan.

The Automatic Stay

The filing of a petition in Chapter 13 operates as a stay of commencement or continuation of any action against the debtor, or the enforcement of any judgment against him, or of any act or the commencement of the continuation of any court proceeding to enforce any lien against his property. This restraint continues until the case is closed, dismissed or converted to bankruptcy or until further orders of the court. Bankruptcy Rule 13-401.

Real Property

Present Bankruptcy Act. Presently, Chapter 13 may deal with all claims of whatever character against the debtor or his property except real property. It has been recognized that the term "property" as used in the restraining powers of the court includes such interest and the court has the power to stay foreclosure of liens on real property. Therefore, while real property is not technically under Chapter 13, the court may exercise its restraining power and forbid foreclosure by mortgage holder.

New Bankruptcy Code. The rights of creditors secured by real property may be modified, except where the real property is the debtor's principal residence. Bankruptcy Code §1322(b) (2).

Co-Debtors

Under the present Bankruptcy Code, creditors are not restrained from taking action against a debtor's co-signer and endorser. Perhaps one of the most significant changes under new Chapter 13 is the automatic stay of any actions against a co-debtor. After October 1, 1979, the filing of a petition automatically prohibits any act or civil action to collect any "consumer debt" from an individual liable with a Chapter 13 debtor until the case is closed, dismissed or converted.

It is the practice of many lenders to obtain endorsements or guarantees of payment from a debtor's friends, relatives and fellow employees. Presently, there is no relief for a debtor's co-signers and this often is an embarrassment to the debtor when his creditors immediately seek reimbursement from his friends, relatives and fellow employees who, as an act of friendship, co-signed the debt.

Section 1301 of new Chapter 13 will automatically bar further action against a co-signer of "consumer debts", i.e., debts "incurred by an individual primarily for a personal, family or household purpose". This immediate and automatic stay is unique to Chapter 13 and will be effective unless:

1. the co-signer incurred the liability in the ordinary course of business;

2. the case is closed, dismissed or converted to another chapter; or

3. the creditor shows:

    (i) the co-signer actually received the consideration;

    (ii) the plan filed by the debtor proposes not to pay such claim; or

    (iii) irreparable harm.

Debtor Engaged in Business

A major revision under new Chapter 13 is its expansion to permit the filing of a plan by an individual engaged in business. This opens the door to Chapter 13 for the individual who owns a small business, e.g., the typical "mom and pop" grocery store. The debtor must be an individual and a partnership or corporation is not eligible. Bankruptcy §1304.

The purpose of expanding Chapter 13 to the small business was to afford the small businessman access to the simpler, speedier, and less expensive relief provisions of Chapter 13 in comparison to Chapter 11. A small business is eligible provided the income is sufficiently stable and regular to permit compliance with a Chapter 13 plan and the debtor owes unsecured debts of less than $100,000.00 and secured debts of less than $350,000.00. Bankruptcy Code §109(e).

The debtor engaged in business may operate his business while under Chapter 13. There may be limitations or conditions on the operation of the debtor's business which will be prescribed by the court. Bankruptcy Code §1304(b).

Dismissal of Plan

Involuntary Dismissal

The court may dismiss the Chapter 13 proceeding or convert the case to a Chapter 7 liquidation, whichever is in the best interest of creditors and the estate. The court has grounds to take this action when there is an unreasonable delay by the debtor that is prejudicial to creditors; non-payment of any fees and charges as required; failure to propose a plan timely; denial of confirmation; material default under the plan or termination of the plan. The court, in acting upon an involuntary dismissal, is guided by that which is in the best interest of creditors. Bankruptcy Code §1307(c).

Voluntary Dismissal

Section 1307(b) provides that a debtor may request at any time that the court dismiss the proceeding. Any waiver of the right to dismiss the proceeding is unenforceable.

Conversion

The debtor may convert the Chapter 13 proceeding to a Chapter 7 (liquidation) at any time. A debtor may find himself in a position that he can no longer afford to remain on the Chapter 13 plan and rather than be dismissed, the debtor may choose to convert the present Chapter 13 petition to Chapter 7. Bankruptcy Code §1307(b).

Discharge

Full Compliance - The court is to grant the debtor a discharge as soon as practical after the debtor completes all payments required under the plan. Bankruptcy Code §1328(a). The discharge from a Chapter 13 releases the debtor from liability for all debts, secured or unsecured, except:

(a) Long term debts extending beyond the period of the plan; or

(b) Any debt for child support, maintenance or alimony.

The discharge granted upon a successful completion of a Chapter 13 is a more comprehensive discharge than is available under Chapter 7. A debtor's discharge under Chapter 7 does not discharge debts arising out of false pretenses; debts for fraud; debts for willful and malicious injury, etc., as the Chapter 13 discharge. Cf. Bankruptcy §§523 and 1328.

__Hardship Discharge__ - Under the present Bankruptcy Act, a hardship discharge is given after three years has elapsed and the debtor has some compelling reason as to why he has been unable to comply with the plan. The new Code under §1328(b) empowers the Bankruptcy Court to grant a discharge at any time after confirmation of the plan although the debtor has not completed payments, if:

1. The debtor's failure to complete the payments is due to circumstances for which the debtor should not justly be held accountable;
2. The plan distribution is at least equal to that which would have been paid to unsecured creditors if the estate of the debtor had been liquidated; and
3. Modification of the plan is not practical.

A hardship discharge releases the debtor from all __unsecured debts__ except:

1. Any debt on which the last payment is due after the date on which the final payment under the plan is due.
2. Any non-dischargeable debt specified under §532(a).

The hardship discharge will not grant the debtor as complete a discharge as if he had completed the plan. Debts arising out of false pretenses, fraud, etc., under §523 will not be discharged. The successful completion of a plan grants a discharge to all debts except those for alimony, support and maintenance and long term debts.

__Miscellaneous__

__Wage Deductions__

The basic understanding of Chapter 13 is that settlement with creditors is to be made out of the future earnings or wages of the debtor. Section 1322(a) of the Bankruptcy Code provides for the submission of all or a portion of the debtor's future earnings and income to the control of the trustee. After confirmation and approval of the plan, the court may order any entity from whom the debtor receives income to pay all or any part of such income to the trustee. Bankruptcy Code §1325(b). Any governmental unit is an entity subject to such an order.

It has proven that the use of the wage deduction increases the chances, by a large percentage, for a successful Chapter 13 proceeding. Also, it is a selling point with creditors who are having difficulty with the collection of their debts. Creditors are often perplexed in jurisdictions which do not permit garnishment of an individual's wages for purposes of collection and often feel they have a better chance of recovery of their debt when a person has filed for Chapter 13.

Attorneys' Fees

The court may order paid a reasonable fee to the attorney for professional services rendered in connection with the proceedings under Chapter 13. There is a tremendous variation as to the allowance of attorneys' fees throughout the country. Perhaps the average attorney's fee for filing a Chapter 13 proceeding would be in the range of $200.00-$400.00.

Interest on Claims

1. General Claims - A general or unsecured creditor is not entitled to interest after the date of filing a Chapter 13 plan. Interest prior to the date of filing which was previously contracted by the debtor may be allowed, but no interest may be paid on a general claim after the date of filing. Bankruptcy Code §502(b) (2).

2. Secured Claims - A secured creditor is entitled to interest if the debtor contracted for the same.

Exemptions

Although Chapter 13 does not directly deal with exemptions, in order to properly advise a potential Chapter 13 candidate, it is imperative that one understand the nature and extent of the new exemptions provided under the Bankruptcy Code. Unless state law provides otherwise, an individual debtor may select in lieu of his state exemptions the exemptions provided by §522(d) which are as follows:

1. $7,500.00 in value of real property or personal property that the debtor or a dependent of the debtor uses as a residence or in a burial plot for the debtor or a dependent of the debtor;
2. $1,200.00 in value in one motor vehicle;
3. $200.00 in household goods and personal effects;
4. $500.00 in jewelry;
5. the debtor's aggregate interest, not to exceed in value $400.00 plus any unused amount under Paragraph (1) in any property;
6. $750.00 in any professional tools or books;
7. Any unmatured life insurance contract;

8. $4,000.00 in cash surrender value of any unmatured life insurance contract owned by the debtor under which the insured is the debtor or an individual of whom is a dependent;

9. Professionally prescribed health aids for the debtor or a dependent;

10. Social Security, veterans' or disability benefits, alimony and stock bonus, pension and profit sharing plan benefits to the extent necessary for the support of the debtor and any dependents;

11. The debtor's right to receive or property that is traceable to an award under a crime victim's reparation law; payment on account of the wrongful death of an individual of whom the debtor was a dependent; payment under a life insurance contract that insured the life of an individual of whom the debtor was a dependent; payment, not to exceed $7,500.00 on account of personal bodily injury, not including pain and suffering or compensation for actual pecuniary loss of the debtor; and a payment and compensation of loss of future earnings of the debtor or an individual of whom the debtor was a dependent.

Summary of Advantages of a Chapter 13

The advantages of a Chapter 13 will frequently depend upon the particular facts and circumstances surrounding each case. The benefits of a Chapter 13 will inure both to the debtor and his creditors. A Chapter 13 proceeding offers the following:

1. An orderly repayment of an individual's debts while the individual retains the use and enjoyment of his property;

2. Immediate relief from creditor harassment upon the filing of a petition;

3. Acceptance of the plan without the requirement of consent by the individual's creditors;

4. Allowing the debtor to reject certain secured debts and provide for the return of merchandise in full satisfaction of all indebtedness thereon;

5. Interest charges on unsecured debts immediately stop with the filing of a petition;

6. A forum to hear a debtor's objections to claim of creditors which is inexpensive and expedient;

7. Restraining the debtor from obtaining additional credit while under the proceeding;

8. Co-signers of the debtor's debts are protected;

9. Allows the debtor up to 36 months to repay his creditors or, if approved by the court, a period of up to 60 months.

Summary of Changes Under New Chapter 13 and Important Related Provisions

The changes brought about by the Bankruptcy Reform Act of 1978 simplifies the Chapter 13 proceeding and provides greater flexibility. The important changes are as follows:

1. Eligibility

   (a) Individual. Any individual with regular income may now file a Chapter 13. An "individual with regular income" means an individual whose income is sufficiently stable and regular to enable such individual to make payments under a plan other than a stockbroker or a commodity broker. §101(24)

   (b) Debtor Engaged in Business. A debtor that is self-employed and engaged in business may file a Chapter 13. A debtor engaged in business may operate the business subject to any limitations on a trustee under the act or conditions the Court prescribes. §1304

   (c) Amount of debt. On date of filing of the petition unsecured debts must be less than $100,000.00 and secured debts less than $350,000.00 §109(3)

2. Plan

   (a) Time. Plan may not exceed three (3) years' duration without court approval. In any event, the term of the plan may not exceed five (5) years. §1322(c)

   (b) Secured Creditors. Rights of secured creditors may be modified, including creditors secured by real estate, except where real estate is debtor's principal residence. However, debtor may cure a mortgage default on his residence during the plan without acceleration. §§1322 (b) (2) & (5), 1325(a) (5)

   (c) Long term debt. The debtor may bring current and pay any term notes according to their terms while on the plan, complete the plan without making full payment on the note and then continue payments after conclusion of the plan. §1322(b) (5)

(d) Priority claims. Priority claims (taxes, etc.) may be paid in deferred cash payments. §1322(a) (2)

3. First Meeting of Creditors

The court may not preside at, and may not attend, the first meeting of creditors. §506

4. Confirmation

(a) Hearings. After notice, the court shall hold a hearing on confirmation. §1324

(b) No Vote. There is no vote of creditors necessary and the court may confirm the plan if the amount distributed to unsecured creditors is equal to what they would receive under liquidation. §1325(a) (4)

(c) Secured Creditors. The holders of secured claims must either under §1325(a) (5):

(i) accept the plan;

(ii) receive their property back; or

(iii) be paid the value of their claim during the plan and retain their lien.

5. Valuation of All Secured Claims

(a) A secured claim is equal to the extent of value of the property. §506

(b) The excess of a claim above the value shall be allowed as an unsecured claim. §506

(c) Valuation shall be determined in conjunction with any hearing on the plan. §506

6. Cosigners

Under the new code a creditor may not attempt to collect any part of the debt from any comaker, cosigner, or endorser. §1301

Exceptions:

(a) Ordinary business. Coobligor incurred debt in ordinary course of business.

(b) Case dismissed. The Chapter 13 proceeding is dismissed or converted.

(c) Stay modified by court. For the following reasons the court may modify the stay:

(i) the cosigner and not the debtor received the consideration for the claim held by the creditor.

(ii) the plan filed does not propose to pay the claim in full.

(iii) creditor's interest would be irreparably harmed by the stay.

7. Discharge

(a) Regular discharge. As soon as the plan is completed, the court shall grant the debtor a discharge of all debts, except:

(i) claims that the debtor has proposed to cure default and continue after the plan (long term debts).

(ii) claims for alimony, support and maintenance under §523(a) (5).

(b) Hardship discharge. A hardship discharge may be granted at anytime after confirmation provided:

(i) the debtor's failure to complete payments is due to circumstances for which debtor should not justly be held accountable.

(ii) the value distributed under the plan to unsecured creditors is not less than they would have received in liquidation.

(iii) modification of the plan is not practicable.

8. Effects of Prior Bankruptcy Proceedings

(a) Prior filing of a Chapter 7. The previous filing of a straight bankruptcy within six (6) years will not bar a subsequent Chapter 13 proceeding.

(b) Prior filing of a Chapter 13. The previous filing of a Chapter 13 within six (6) years does not bar a subsequent straight bankruptcy provided the Chapter 13 either:

(i) paid 100% to unsecured creditors; or

(ii) paid 70% to such creditors and the court finds the plan was proposed in good faith and represents debtor's best effort.

9. Utility Service

(a) A utility may not alter, refuse or discontinue service to a debtor solely on the basis of a debt owed by the debtor to such utility for service prior to the proceeding. §366(a)

(b) Such utility may refuse service if, after 20 days from the entry of an order for relief, the debtor does not put up a deposit to assure payment for future service. The court may hold a hearing on the amount of the deposit. §366(b)

10. Exemptions

The following exemptions under §522 will be allowed unless state law specifically provides they are not applicable:

(a) $7,500.00 in value of real property or personal property that the debtor or a dependent uses as a residence or in a burial plot.

(b) $1,200.00 in value in one motor vehicle.

(c) $200.00 in household goods and personal effects.

(d) $500.00 in jewelry.

(e) The debtor's aggregate interest, not to exceed in value $400.00 plus any unused amount under paragraph (a) in any property.

(f) $750.00 in any professional tools or books.

(g) Any unmatured life insurance contract.

(h) $4,000.00 in cash surrender value of any unmatured life insurance contract.

(i) Professionally prescribed health aids.

(j) Social Security, veterans' or disability benefits, alimony and stock bonus, pension and profit sharing plan benefits to the extent necessary for support of the debtor and any dependents.

(k) Debtor's right to receive or property traceable to an award under a crime victim's reparation law; wrongful death payment of an individual of whom debtor was a dependent; payment under a life insurance contract that insured the life of an individual of whom debtor was a dependent; $7,500.00 payment on account of personal injury; and payment for loss of future earnings.

ASSESSING THE STATE OF THE ART:
PAST PERSPECTIVES AND FUTURE PROJECTIONS

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* * *

The final assessment of the success of any service is the degree to which the service provided meets the current needs of clients. In the past twenty years, financial counseling in this country has focused on the needs of a credit hungry society. Credit was a new growth industry. Its growth reflects changes in American living standards, basic values and attitudes of the public toward debt. Many Americans successfully utilized credit to spend tomorrow's income for todays wants. In an ever-expanding economy, the "pot of gold" at the end of the rainbow always seemed to be getting closer. But for many others overextension, emergency needs and poor management resulted in economic catastrophy. Because these families were viewed as exceptions and were assumed to have created their own misfortunes, little was done. The people most concerned seemed to be the creditors and so early counseling was begun by the industry, i.e., credit granters. However, as the number of defaulters increased and with increased pressures such as the intensive expansion of inflation throughout the economy in the past ten years, the economic recession of '73-'75, and the continued threat of both these phenomenons in the past few years, others began to turn attention to a problem no longer identified as that limited to a few. Indeed one could have read in almost any major periodical in the past year, a forecast of dire consequences for the many predicted by business, government and consumer authorities of the result of what "easy credit" and "overextension" could mean to our society.

In the past three years, Americans in general, have seemed to develop an attitude toward inflation that says buy NOW regardless of cost, regardless of how much you have to borrow because to wait is to not be able to afford the item. Thus, we are utilizing credit to buy what we can't afford on the assumption that tomorrow we will have a higher income that will offset the credit charge.

Those that have been in credit counseling for any length of time, know that sooner or later the pipe dream will burst. An unexpected event--a job lay-off, an illness or one of a dozen other unwanted occurrances will place the family's economic security in jeopardy. If I sound pessimistic, it's because like many of you, in the past few years I have dealt with many who thought it couldn't happen to them.

Let me state very clearly that for the future I feel the field of financial counseling has an obligation to broaden its services far beyond prorating or even credit counseling. Americans' are asking today "How Do We Handle Inflation?" Some are beginning to ask and in the future they will be joined by others "How Do I Cope With Fewer Resources?", "How Do I Make the Money I Have Cover the Increasing Cost of Necessities?", Fuel (Gas, Oil, Electricity), Food and Housing. The diversity of the topics covered in this three day conference indicate clearly that the planners of the conference recognize the broader aspects of the field, the variety of settings within which financial counseling presently occurs, and that at every walk of life or in every socio-economic group there are families in economic crisis. Regardless of who they are or where they are, these people need and deserve trained professionals to help them with their problems. We need to expand the markets served.

I strongly agree with Harry Brown that the solution to family economic problems is education. Services that are limited to eliminating immediate crisis without teaching the client the causes of the crisis and prevention of future crisis only perpetrate themselves. Some clients will learn but others will become dependent. I question if for some of us that hasn't happened. We want to be needed and so we create dependency.

A few years ago, I completed a Ph.D. dissertation evaluating services of a commercial and a not-for-profit credit counseling service. Some of you have heard me report those findings at other meetings and I won't belabor those here. Some of the findings on client perceptions of services of the agencies will appear next year in the ACCI Journal of Consumer Affairs if you are interested in more detail. Generally, I found that in evaluating overall services clients were equally satisfied with the service of the agencies. Some of the findings that I think we need to address, however, are the selection and training of counselors, the education of clients, and the follow through with clients. If the services to clients are to go beyond debt repayment, it will not be sufficient to have counselors whose only training is in establishing debt management programs. While knowledge of the credit industry will continue to be important, of equal importance is an understanding of psychotherapies and counseling skills. A broad knowledge of financial management is essential if we are to address each client's problems individually as I believe we must. Let me clarify this statement. I am not suggesting group counseling is not appropriate. But I am saying that each client's problem and situation is unique and deserves a personalized solution. Perhaps we can utilize computerized solutions but final interpretation must be directed toward the client's unique circumstances. Long term selection of a sound insurance program may be more important than the short term consequence of a debt purchase.

Finally, we must put our clients first. They should feel their problem and its solution are worth our time and effort. Fifty-seven percent of one sample and thirty-three percent of the second, indicated in my research that their counselor was rushed. Perhaps we are pushing too hard to meet quotas of clients served. To get the client in, get his problem, give him the solution, and get on to the next client. Counselor "burn out" is a problem in any service profession. We need to find ways to "refresh", to "rebuild", to "recycle", if you like, our enthusiasm, interest and skills. Again, VPI is to be commended for giving us an opportunity to accomplish these goals together this week. My students and my clients hopefully will be better served because of experiences I shared with you this week.

In conclusion, let me say that in a very short period of time, many outstanding financial and debt counseling programs have been developed in the country. There are good models operating that have tested and proven results. But to be satisfied with what we have, not to explore new settings, new and expanded services would be a loss equal to the loss of a young child that has shown much promise and potential for improving the well-being of the society in which we live.

ASSESSING THE STATE OF THE ART

Harry S. Brown

Consumer Credit Counseling Service, Miami Florida

* * *

My philosophy has always been that "out of bad must come some good" - and many times this adage has proven true.

Even the Consumer Credit Counseling Service as we know it today was born out of a bad situation that existed in this country in the 50's and 60's.

In the late 50's there sprang up in this country organizations known as professional pro-raters or bill consolidators.

The concept of these so-called services was good, they advocated helping families to resolve their financial problems! However, their modus operandi was very questionable.

Families and individuals who sought their help were charged an initiation fee of from $50.00 to $100.00. Then an additional annual fee of from 6% to 12% of the total indebtedness taken monthly; and in addition, the operators approached the credit grantors with "we're collecting a bad account for you therefore we should be paid a percentage of 25% to 50%."

Even worse, in many cases, very few creditors were paid and in fact most of these so called pro-raters absconded with millions upon millions of dollars. Gradually, in state after state, legislation was enacted outlawing these organizations. There are perhaps only 3 or 4 states that continue to allow these operators to exist, but under strict regulations.

In 1963 the first non-profit Credit Counseling Service was established in Columbus, Ohio, by a finance company and the idea spread to other cities and eventually to other States. In 1968 the National Foundation for Consumer Credit saw the use of this service as a means of direct education in the field of personal money-management and the wise use of credit and their Board of Directors decided to help further the cause of this new non-profit service on a national scale.

Since that date, under the umbrella of the National Foundation for Consumer Credit these agencies have grown in excess of 220 - far short of the number that are really needed in our present plastic card society, but still expanding.

Many of our agencies, although rendering one of the most viable community services in this country today are finding it difficult to exist, let alone expand because of the shortage in funding. Those

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of us that survive the first two years are becoming a permanent part of our communities through recognition of the excellent services we are performing in the field of education and assistance. Our impact, as small as it is at present, is being felt not only in individual homes but in the entire community - our court systems, schools, and other social organizations, etc.

We have gained recognition and high respect in the Federal area and also such agencies as HUD, HEW, etc. Yes, even our Congress is well aware of the need for this much needed service.

Many agencies, such as ours in Miami are finding it very difficult to progress as speedily as we would like to because of the shortage of trained counselors in this field. There are only approximately 600 counselors throughout the country qualified to assist families and individuals in personal money-management and the wise use of credit. There is a dire need for twice that amount and more.

Because of this shortage of trained counselors, many families who are in need of counseling must wait as long as six weeks for an appointment - imagine the pressure these families are under while waiting - they're in trouble today - six weeks from now they could be seeking other relief.

Without the help of more counselors to provide much more counseling the only alternative left to those families who feel that they are standing on the brink of disaster is personal bankruptcy.

In 1972 when the Miami office was organized three out of every 100 credit-oriented families were in need of our services, today that figure stands at 10% and is on the rise.

By and large I am an optimist, but I am also a realist and I can very clearly see that unless steps are taken immediately to slow down this credit boom, disaster must be the end result.

The over-expansion of credit and lack of education in the consumer education field in addition to the inflationery spiral of these past years portends a recession the severity of which cannot be determined at this time.

But I can say, and emphatically, that personal financial counseling is here to stay and those younger people who are now in the field can look forward to a very bright future regardless of which way the economy might react.

THE ENVIRONMENT FOR FINANCIAL COUNSELING: PRESENT PERSPECTIVES AND FUTURE IMPLICATIONS

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* * *

There are several ways we might view the future: (Snyder, 1979) Some would look at the past, and project the same trends into the future. Economists do this all the time. A second way of viewing the future might be called "Comprehensive Planning." This is the "think tank" approach, often associated with high technology. A third way is to model the future- to examine the way things are in some defined system, how factors interact and what kinds of results are produced, and from that devise a model for change. The "model" concept is represented in our many pilot and demonstration projects.

I have taken the liberty of revising my assignment for the panel to deal with present, rather than past perspectives, and future implications. I plan to do this by pointing out my observations about what is going on now in the environment of financial counseling. Each observation will, I think, open up issues and suggest some priorities. We have a challenge to get beyond the projections of the past and to think in terms of modeling the future.

Observation one: Financial services are changing.

It has been difficult within the past few years to keep up with the functions assigned to traditional institutions. For example we have NOW accounts in some areas, we have Credit Unions offering share drafts in some areas. More recently the automatic transfer of money from savings to checking through the mechanism of a telephone call has been authorized for Banks and challenged by Savings and Loans. Hearings are scheduled this summer on interest on checking accounts since an Appeals Court decision has declared many of these procedures, authorized by regulatory agencies, to be illegal.

A major overhaul of financial institutions to allow depository and thrift institutions to carry out essentially the same functions has not come about, but many pieces of the puzzle have been initiated separately. For the consumer, the variety of package deals offered by financial institutions adds complexity and makes it difficult to keep track of costs.

Implications

It would seem that counselors should emphasize the different processes which implement financial plans: savings, borrowing, holding assets, transferring money, minimizing risk, purchasing, paying. In this way it is possible to analyze the component parts of services so as to compare alternative ways to accomplish the same goals, or so as to weigh the benefits in different time periods. Some student insurance policies for example involve credit to cover early payments, along with the risk prevention and saving.

Observation Two: Technology is changing the mode of transacting business and of recordkeeping.

Electronic Funds Transfer has been defined by a National Commission to include: automatic teller machines, automatic telephone payment systems, point-of-sale systems, check authorization, direct deposit of salary or other payments, pre-authorized payments and bill checks. The individual will find real hard cash more and more rare and the familiar check transaction often replaced by the plastic card or telephone.

Computer assisted counseling makes it possible to project different alternative uses of money into the future and come up with impressive figures which may be very useful, but difficult to interpret, because they can never take into consideration all the unique variables, particularly the uncertainties such as inflation, interest rate charges, etc.

These technologies remove much of the repetitive mathematical calculations, the writing and posting of letters and checks, and the preparation of records. People still call the shots. It is unfortunate for consumers that there is little standardization of accounting procedures and of interest calculations and posting procedures by the businesses with which they deal. The counselor must continue to be a translator amid a maze of contracts, transactions and billing statements.

These are not services which have been sought out by consumers. Those who are interested in the technology and who have experienced the convenience, unless they have had some unfortunate experiences with the services, have been satisfied and can no doubt use the services to their advantage.

Implications

There are possibilities for individualizing services to serve more people and for handling masses of data on a computer printout in a more orderly way than on a handscrawled sheet of paper. Counselors have a good opportunity to suggest programs which would help clients in their tasks and also to observe the way different clients understand and respond to computerized services. Their input into design of services should help to keep the services consumer-oriented.

Observation Three: Laws relating to property rights and to access of all groups of society to financial services are changing.

Women's earnings are counted toward purchase of a home. This is a plus in the cause of equity. It may be a minus for the family that suddenly realizes undreamed-of possibilities of acquiring a dream house that leaves them unable to meet other goals over most of their lifetimes.

How many counselors ever thought of "Palimony" before the Lee Marvin case hit the headlines? How will graduated mortgages affect the young? How will reverse mortgages affect the elderly and their families?

In periods when laws are being revised there is little if any court precedent, so it may be difficult to know how many of the ideas which have been tossed around actually can be carried out in practice.

Implications

Counselors or counseling services would seem to need some liason with legal advisers, women's centers and other groups that follow these issues as they evolve. Counselors may also need help in actually interpreting for themselves the appropriate ways to avoid "giving legal advice". The types of changes referred to give grounds for questioning traditional assumptions that families present joint goals and joint financial interests. The "His" and "Her" Budget is something much more than spending money that doesn't have to be accounted for.

Observation Four: A lot of groups are interested in credentialing and in alternatives to licensing.

While licensing affects only a few specific professions related to financial advice or counseling, the present scrutiny of licensing by both business and consumer groups and by such government agencies as the Department of Labor and Department of HEW, gives greater visibility to the whole issue of credentialing and accountability.

The public examination of licensing has been prompted by the desire to simplify and cut cost of regulations and also by the recognition that licensing may become exclusive and restrictive, keeping out competent individuals who have no way of demonstrating and documenting their ability. One of the arguments advanced in the outlawing of commercial debt adjustors in all but 12 states has been that licensing of any occupation leads the public to believe that it has government endorsement and supervision, hence they can rely on it to help them.

I have recently reviewed the forms of credentialing and preparation for testing which is offered for a broad range of people who carry a title signifying that they offer advice, counseling or planning on financial matters.

Investment advisers are licensed or registered in most states and at the federal level. In this instance there is no criteria suggesting that the adviser must understand the family or individual's total financial situation; the criteria is based rather on: being able to provide technical analysis of investment alternatives or merely having been in the business for a specified period of time, being financially responsible and having not been charged with fraud or unlawful practices.

Commercial debt adjustors, according to the Michigan Licensing laws, are charged with making an analysis of the applicant's financial status and with showing that a plan for reduction of debt over a reasonable period of time is possible.

Some professional groups have been exempted from regulations governing investment advisers and debt adjustors. The Federal Investment Act excludes lawyers, engineers, accountants and finance teachers. The Michigan Debt Adjustment licensing law excludes lawyers, financial institutions that advise clients in the regular course of their principal business, title insurers, judicial officers and others acting under court orders. Thus financial counseling or advice is assumed to be part of some licensed professions or regulated institutions.

The certification program for Certified Life Underwriters (CLU) is associated with a non-governmental, non profit College of Life Insurance at Bryn Myr, Pennsylvania founded in 1927. Certified Financial Planner (CFP) is granted by an unaccredited College of Financial Planners in Denver, Colorado, founded in 1972. Both these training and certification programs include units on analysis of financial status, motivation (readiness for change, attitudes toward risk, cooperation, etc.) and counseling methodology.

Another group, International Association of Financial Planners, Inc., started in 1969 with headquarters in Atlanta, Georgia, is a membership group composed of those working in finance. They have recently announced a professional development program in cooperation with the New York Institute of finance. They publish a directory indicating areas of specialization, education, credentials and whether the planner is paid through fees or commissions.

The certification program of Consumer Credit Counseling Service, notwithstanding its differences from the services mentioned earlier, likewise offers a credentialing program. It has been developed in cooperation with faculty at VPI and Michigan State Universities. It includes analysis of financial situation, common types of financial problems and development of a client's rehabilitative financial plan, along with considerable emphasis on counseling process and methodology.

Last but not least, are programs based in home economics or initiated by home economists. Of 82 units in 29 states who responded to a 1977 survey, 15 schools reported financial counseling as a course of study. It was pending in three others and 23 were considering it.

The major form of credentialing for home economists is the degree plus the details of the individual's transcript of formal courses and practicum work completed. Some respondents to the survey indicated interest in working toward certification such as CCCS or CFP.

Implications

Persons doing financial counseling of a particular type have increasing opportunities to affiliate themselves with others of the same interests, to participate in programs to up-grade their skills and to keep themselves informed of new developments.

Observation Five: Third party payments are being made for some financial counseling.

As our society moves more and more into the game of competitive grants for demonstration programs for special target populations or into comprehensive helping networks, financial counseling is often recognized as a critical component for success. Examples can be found in work with low income families, home buyers, displaced homemakers, vocational trainees. In these instances the administrators may choose to contract out for the component of financial counseling. This could be on the basis of purchase of the time of a specially trained financial counselor from another agency, payment for each client served, or simply approving a counseling program as the source of financial counseling for clients on a block grant basis.

Counseling as a fringe benefit might be considered as another type of third party payment. It is usually associated with a different clientele, the executive. There are reports now that this benefit is offered to more mid-level families, including two-earner families who have large incomes. In this form of counseling one would expect tax-related advice to be important both to the person offering the fringe benefits and to the recipient-clients.

Implications

There needs to be more information on how to package financial counseling services, how to fix a price tag and how to interest human service programs in making it part of their total program. Another implication for offerors of services is that funding under these third party programs may be unstable. To make financial services responsive to consumer needs, there needs to be monitoring.

quality of services. Some graduate student research has focused on evaluation of effects of financial counseling.

My observations have led me to think that change is the order of the day. This should indicate caution in accepting projections based too heavily on the past.

If I can see any flaw with the model which many of us have communicated to each other through our handbooks, curriculum plans and brochures, it is in the fact that it is difficult to conceptualize the step involved in moving from an immediate crisis to that of constructive future-oriented plans. I have introduced a wide gamut of services offered as financial advice counseling or planning primarily to allow for the examination of this issue. Should a community financial counseling program try to offer the whole range? Are there natural, workable specializations that can be built into a network of services for all families? We have noted that the specialization which occurs has frequently been industry oriented, possibly limiting clients' opportunity to examine alternative use of their money.

In conclusion, I will summarize some of the major implications which might be drawn from the observation of five factors which are adding to the ferment in the development of financial counseling.

> Because of the number of package deals in financial services and the rapid and controversial changes in legality of certain practices there should be heavy emphasis on helping people to understand the basic and separate processes involved in their money management.
>
> Selective use of technology might also incorporate awareness of the processes that are used. This should contribute to decision making relative to that part of the processes people feel competent to and want to control for themselves.
>
> Counselors need to continue to develop networks to help clients have access to related, yet separate, kinds of help such as legal advice, help with use of resources, help in facing up to emotional or interpersonal problems. A corollary to this would be for counselors to recognize their personal limitations.
>
> There is more work to be done on identifying and being able to demonstrate competencies and on credentialing. Some of the methods suggested by other professional groups such as peer review, videotaping, regular follow-up evaluation of a random sample of clients may be adopted in the financial counseling field.
>
> Some realistic price tags are needed, whether the bills are eventually picked up by the client, the government, the employer, or by a voluntary group.

Finally, if the field is to develop as a promising career choice, attention needs to be given to the status and salaries of financial counselors relative to that of other professionals with whom they are associated.

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ASSESSING THE STATE OF THE ART

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* * *

The panel members have given us a wide variety of observations on the state of the art of financial counseling. Their views come from their own personal experience and backgrounds which are very diverse. My task is to draw from each one of them, perhaps also from other speakers, and to summarize and synthesize for all of us what the state of the art is in the field of financial counseling today.

Many speakers at this conference have indicated that we are in a boom period in terms of demand for our services. The effect of inflation, rising tax burdens and skyrocketing costs of housing, food and energy has been to greatly increase the number of people in need of financial counseling. Increasingly, this pool of potential clients is becoming more varied. While financial counseling in the past was thought of as a service to the poor or the low-paid wage earner, Dr. Langrehr, Mr. Harry Brown and others have indicated that the scope of clients seeking our services is broadening. The number and percentage of middle and upper-middle income clients, and even high income professionals seeking financial counseling is growing rapidly.

There are those in society who will say of people suffering from financial problems, "they made their own bed - let them lie in it," thinking that somehow these problems can be ignored and that they affect only the individuals concerned. Rev. Rodney Brown has clearly pointed out to us all the fallacy of this approach. Yes, the person with a financial problem is affected physically, mentally and spiritually. But these troubles don't stop within the individual. They are brought with the individual to every area of his or her life. Financial worries spill over into family relationships, often resulting in family conflict. Financial worries brought to the job result in decreased job performance and proneness to accident and injury. Financial problems often keep workers from their jobs, creating problems for supervisors because of absenteeism.

Personal financial problems have pernicious effects. They are associated with marital disruption and divorce, alcoholism, drug addiction, crime, suicide, homicide, child abuse - a host of antisocial behaviors. Thus the claims that financial counseling benefits only the credit community or only the business community are not accurate. Relieving a person's financial worries through counseling contributes not only to the individual's well-being. It also benefits families, friends, employers, industry and the community at large. Financial counseling has the potential to be a stabilizing force in the present and predicted times of inflation and recession.

If the world were a rational and logical place, given the positive benefits of and the need for financial counseling, we could expect that financial counseling would be readily available everywhere for those who need it. Most of us adults have long since figured out that the world is not a rational and logical place, so let's examine the factors involved in providing needed levels of financial counseling and see what the state of the art is at this time. I will also look at predictions for the future.

First, let us look at the diversity of individuals and agencies involved in this broad field of financial counseling. The attendance at this conference is indicative of that diversity. We represent government agencies, credit counselors (both profit making and non-profit agencies), attorneys, cooperative extension, community action and poverty programs, housing counseling, welfare case work agencies, business and industry, educational institutions, credit unions, mental health services and other areas that I may have missed. For some of us the following factors have a different impact than for others of us and the state of the art for each of us may be different.

In the area of Financial Counselor Training, we have made great progress. Whereas twenty or even ten years ago there were very few training courses or training manuals in the field of financial counseling, we have shared at this conference a wide variety of different counselor training materials. The Credit Union National Association has shared with us their variety of multi-media programs. Many of the materials developed here at VPI have been presented to you.

There exist in the field now numerous college courses which teach financial counseling. There are individual instruction materials from which new counselors can train themselves and by which experienced counselors can improve their skills. Group leaders guides exist for a few topics whereby groups of financial counselors can be trained. So we can say that in many of our diverse areas, substantial training materials are now available, and great progress has been made in this area.

Yet it still appears that for many of us, the complete and definitive financial counselor training course has yet to be developed. The materials developed here at VPI address only limited areas of our broad field and we admit they are prototype materials. We wish a national organization would undertake further development of them to broaden their scope, to develop a more comprehensive training program. We have made great progress in counselor training - and there remains much to do.

In the area of certification, we have also made great advances. Dr. Churaman has brought us up to date in this area. Clearly, if we do not regulate our own field, if we allow unqualified or unscrupulous people to operate in our field, we run the risk of other regulatory agencies stepping in to do our job for us. We need perhaps now to look not only at the full certification of fully qualified practitioners, but also at minimum training and supervision standards to allow a person to begin to function as a financial counselor. I say this based on full Certification by the School of Hard Knocks. I had to train myself, starting out in a small agency as the only counselor. I can say with total honesty and sincere regret that some of my early clients were less than adequately served due to my lack of training. I would like to see each of the diverse groups represented here develop a minimum standard for training of new counselors before they are permitted to see their first client, and of supervision during their first year on the job.

Let us now look for a moment at the area of Service Delivery. In the past twenty years financial counseling, in all its diverse forms, has become either sole or a portion of the function of many programs: Consumer Credit Counseling Services, Commercial Credit Counseling Services, Credit Unions, Community Action Programs, Cooperative Extension, Family Service and other mental health agencies, housing counseling, private therapists, clergy. We can honestly say now that at least for most major metropolitan centers, the service of financial counseling in some form is available to those who need it. Since financial counseling is such a broad field, many of us choose to specialize in one sub-area of the field. In the broad field of law, we find tax lawyers, divorce lawyers, corporate attorneys, bankruptcy specialists, etc. In our field we find financial educators, debt proraters, credit counselors, low-income caseworkers, housing counselors, clinical therapists, etc.

While each of these specialties are legitimate roles, I think we need to recognize that our communities need all of these services. Thus, during our development period the concept of service delivery has grown. We can think of it now as Total Service Delivery. To fully meet the needs of our communities, we must address not just one small area of service, not just budget counseling, not just debt management, not just pro-rating, not just counseling on personal and interpersonal feelings about money. Today the state of the art in service delivery addresses all three areas of financial counseling outlined yesterday by Marv Kilton: (1) Rehabilitative counseling - helping the overextended debtor or client in financial crisis; (2) Preventive counseling - usually thought of as education in the area of financial management; and (3) Productive counseling - showing people how to maximize their financial resources.

A few agencies represented here today would be candidates for a state of the art award in service delivery. I think of the Consumer Credit Counseling Services of Jerry Lareau in New York, Gray Jackson in Winston-Salem, Harry Brown's agency in Miami; some of the more progressive and innovative credit unions would be in the running; many Family Service organizations such as the one in St. Paul; some of the university financial counseling projects.

Nevertheless, we still need to recognize that no existing service provides comprehensive programs covering all aspects of financial counseling: legal, educational, clinical, debt management or pro-rating, budgeting, investment, housing, insurance, etc. Therefore, I think it is safe to say that the true state of the art today in our broad field consists of competently providing delivery of service in our specialty areas, PLUS creating a cooperative referral and resource network capable of dealing with the entire spectrum of financial counseling services.

Whenever you meet with a group of leaders in financial counseling, the term "re-inventing the wheel" invariably arises. Each of the agencies I have mentioned earlier developed their own program of service delivery. I am hopeful that this conference will be a vehicle through which agencies nationwide can learn of existing programs and be spared the time-wasting effort of developing programs locally from scratch. I am hopeful that many agencies can use what they have learned here to bring their programs up to the state of the art.

Finally, I want to address the topic of funding. Some of you here today are unaffected by the tides and ebbs of funding. Nevertheless, the majority of us are critically aware of how crucial this topic is to our basic survival, let alone our achieving the state of the art.

We are facing lean times; times of economic recession and inflation. The tendency in these times is for fewer dollars to go to social programming. Due to inflation, even these few dollars are worth less. I think it is realistic to say that the boom years for social programs of the '60's and '70's are over.

There are already signs that numerous financial counseling agencies are moving in the direction of insolvency. I think that we can safely say that the state of the art in our field, as far as agencies are concerned, incorporates two factors - solid, broad-based, diversified funding and the application of sound business management principles to our service delivery. A professor of mine at the University of Wisconsin, teaching business management for Non-Profit organizations, used to say, "If the average small business were run like the average Non-Profit agency, it wouldn't last a year."

Those organizations that have had effective, cooperative leadership, that have attended to the growth and development of a strong, diversified funding base and broad-impact programming are likely to continue to grow and prosper and produce results. The organizations that lack cooperative leadership and broad-based support are likely to find their base of support continuing to erode.

I have heard it said that without funding, we can't provide the services. Unfortunately, the principle of the chicken-and-egg argument applies here. Without the programs and service delivery, you can't get funding.

No longer can we approach funding sources with tales of our beneficial services in the betterment of mankind. Dollars for do-gooders is a game that only works in times of plenty. Bleeding hearts dry up in direct proportion to excess funds available. The state of the art in financial counseling today centers around the cost-effective provision of competent services. In every contact we have with a funding source, we must document clearly the results we are producing with their money.

I hope that this conference has provided you with resource material, ideas, methods, skills and enthusiasm to go out and develop your personal effectiveness and your agency's program so that you can provide service delivery to your community at the level of the state of the art. The demand for financial counseling is running at unprecedented levels. The need for trained counselors, as Harry Brown has pointed out, is critical. Yet if administrators of financial counseling entities continue to ignore effective business principles in their agency management, and if funding sponsors continue to view financial counseling as a charity, the field cannot be expected to keep up to demand. Charities cannot and do not provide professional management or service delivery at volunteer prices. Counselors must be adequately paid before we can expect them to desire to excel at their work. Our agencies must be adequately funded to provide services at state-of-the-art levels.

Let me close by borrowing a phrase by Dickens: "It was the best of times; It was the worst of times." Our field, despite the economic trends of the times, is entering into an exciting and challenging period. The potentialities for our growth and development are great. We have shared together in these few short days many resources that can aid us in actualizing much of this potential. If the level of enthusiasm at this conference is any indicator, I think it is safe to predict that we have the excitement and commitment to pursue the development of our programs up to the state of the art and to even surpass it - to improve the state of the art.

APPENDIX

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